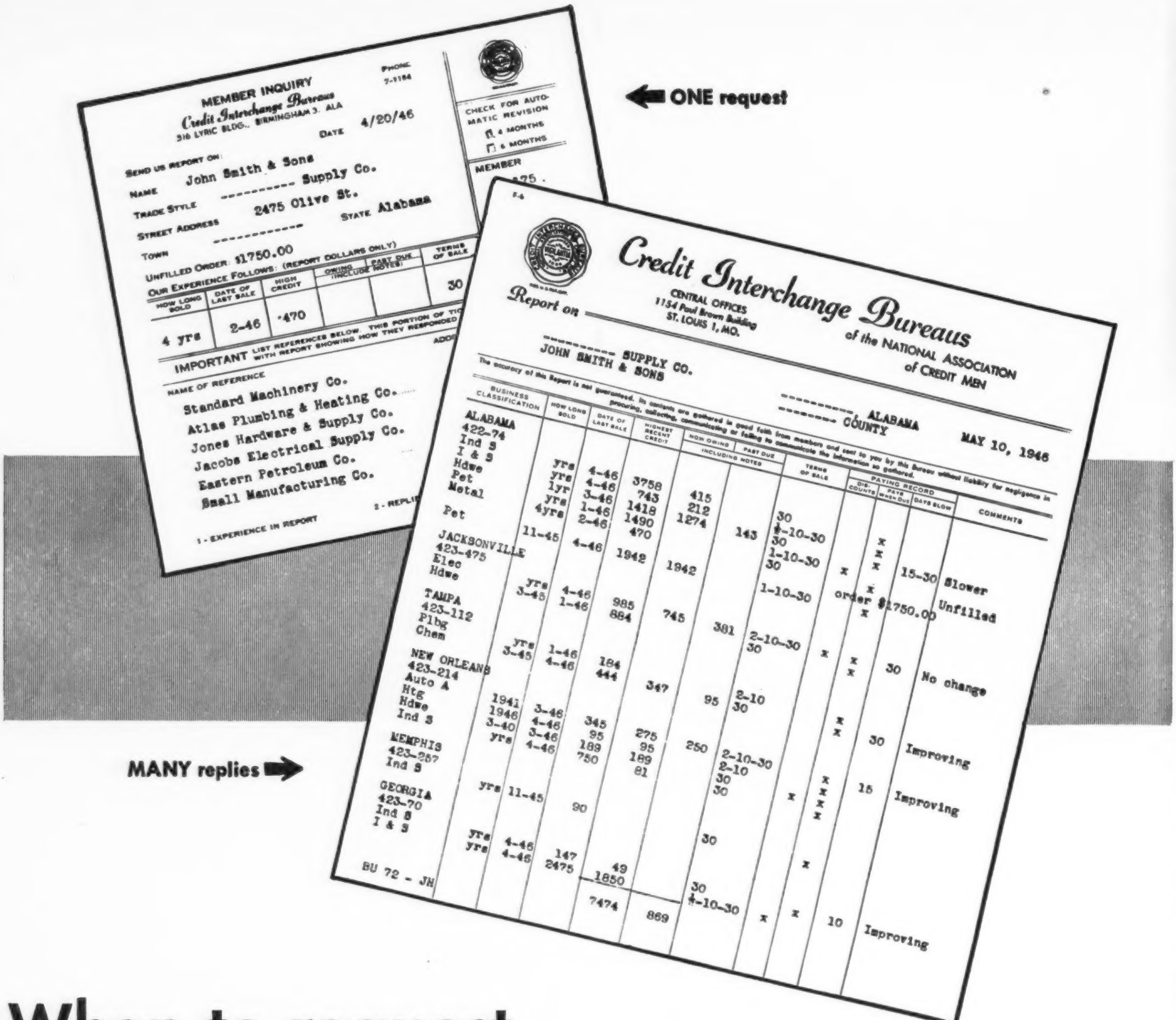
CREDIT

and Financial Management

Photo—Philip Gendreau, NY

JUNE 1946. In This Issue:—Will Interest Rates Increase?—Cost and Credit Co-operation—What Does A Factor Do?—Banking and Reconversion —Salesmen as Sources of Credit Information.



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CREDIT
AND FINANCIAL MANAGEMENT

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OUR PROGRAM OF EDUCATION

CFM It is questionable whether at any time in our history our educational facilities ever have been taxed as they will be in the years immediately ahead. The general average of education will rise tremendously in this nation. Not alone is this true as to general education, but this rise is equally applicable to professional training. Credit Executives now are sponsoring the finest credit educational program that has ever been offered. This course is as thorough as those prepared by any educational institution.

In this advancing educational movement it is well for educators in all fields, both general and professional, to be aware of the danger of overemphasis on what I might term "special education." The purpose of education should be to make people think, and the result should be a happier individual and a more contented being by reason of the attainment of a wider knowledge. Our educators should be men who can impart knowledge. It is even more difficult to find an educator who knows how to teach than it is to find an educated man.

If in our endeavor to educate our people generally we so conduct our educational programs as to bring about dissatisfaction and unrest, then the result can easily become a liability. Education should teach us the way to live peacefully and happily together. Above all, those who do the teaching should be men of exceedingly high character who by their own lives set a pattern for their students to follow. We must take care in our educational process to see that we build for a sound standard of thinking.

Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

CREDIT TAKES ITS PLACE

President Simpson Forecasts Rosy Future for NACM

by ROBERT L. SIMPSON
NATIONAL PRESIDENT, NACM, 1944-46
President
C. T. PATTERSON CO., INC.
New Orleans

By the end of this month I will have completed my term of office as your National President, so it is fitting that I present to the members of our great business organization some of my observations about the record achieved by the National Association of Credit Men and wherein, in my opinion, it will accomplish the greatest benefits to the world of industry in future years.

The aims and traditions of N. A. C. M. were a part of my home life even back in the days when I was looking ahead to entering high school, for my father served for seven years as a National Director and you may be sure that he made the Canons of Business Ethics a basic text in my business education. So while I do not yet rate as an "old timer" as do so many of our stalwart members, I am very proud indeed that I have been reared in the traditions of N. A. C. M.

When I reach out my hand to your new President at French Lick Springs hotel on June 25th, you may be sure that I shall do so with the fervent prayer that he will receive the same loyal and unfailing support that you have so generously given me. For while your President is the nominal head of this great nationwide organization, only an individual who actually has held the gavel knows that his efforts would amount to very little indeed if they were not so loyally backed up by the other national Officers and Directors, and the literally thousands of proven leaders in all of our affiliated Associations. So my first observation as my term of office closes is a very sincere "thank you" to every person who has helped in promoting the work of our great Association during these rather trying war-years.

To the Past-National Presidents for their experienced advice and counsel, I owe a debt that can only be liquidated by a similar service to my successors. To the three Vice-Presidents and the members of the National Board who have given so willingly of their time and their effort during these months, I say that to you must be given the full mead of praise for any accomplishments during my term in office. The National Staff merits my deepest appreciation for their loyal support, friendly advice, and unusual ability to place my wishful thinking into effective operation, all tending to make my duties more pleasant and enjoyable. To the Secretarial Council I offer my sincere thanks for the excellent service this group has rendered our Association. But while these men have served so willingly and efficiently in our councils and conferences, it is to the rank and file of our membership that I wish to record here my honest expression of humble thanks for their wonderful help and cooperation whenever and wherever I had occasion to call upon them.

25,000 Only A Start

The accomplishments of Edward L. Blaine, Jr., of Seattle, who has served so efficiently during the past two years as Chairman of the National Membership Committee, merit special commendation. Starting the Association year of 1944-45, Mr. Blaine set as the goal for his Committee a net gain of 2,500. The score was 2,655. With a record of 22,359 on our membership rolls, Mr. Blaine set 25,000 as the goal for the 1945-46 Association year. With a net gain a trifle higher than in the previous year, his Committee now gives our Association a membership total of 25,030, of which to boast. Here again, and I am sure Mr. Blaine will agree with me, this excellent record was attained through the united efforts of all of the local Membership Committees. The program outlined by Mr. Blaine and by Edward B. Moran of the National Staff, who served as Sales Manager for this important effort, was given hearty support in every local Association, particularly through the efforts of the Secretarial Council and its effective Managers.

As I observed the reports from various sections and made note that this and that Association had met and passed its quota for new members, I became convinced that the momentum gained during the past two years should easily be carried on until every manufacturer, jobber and wholesaler, worthy of the name, is enrolled in the united efforts of N. A. C. M. to boost the profits of American Industry. Membership totals of 27,500, 30,000 or even 35,000 are not beyond our reach, now that we have made such an excellent start in organizing and selling our Association to business executives.

Credit Taking Its Place

As I stated at the outset, I have observed many things about our Association and our profession during my term of office. The one that impresses me most is the fact that credit is rapidly being recognized as a definite and professional phase of business management. For years

our organization has used the slogan "Guarding the Nation's Profits." I suggest that this slogan might well be changed to read "Boosting the Nation's Profits." For the credit executive today serves as a successful sales promoter as well as a financial officer of his company. To my mind the future development of the credit profession will be advanced largely along the lines of sales promotion.

If I were asked by a young man or woman now enrolled in the credit department how he or she might best assure their advancement I most certainly would reply: "Study how your department can best boost the sales of your company." My advice to them would be to study how the information available in the credit files could best be used to increase the patronage of every worthwhile customer. As I went about among the Associations and met with the leaders in our profession, I have been impressed with the fact that these leaders really are among the topnotch salesmen of their companies. They are the "Boosters of their companies' Profits."

National President Robert L. Simpson (center) with National Vice-Presidents Joseph Rubanow (left) and C. B. Rairdon.

Study The Job Ahead

In a little booklet by Joseph M. Dodge, President of the Detroit Bank published under the title of The Business Management, I read this statement which impressed me as the norm of success for the credit executive: "The greatest problem in any business is always to find the individuals with the highly valued commercial asset of executive ability." And in another page Mr. Dodge says that, "In the combination of knowledge and the capacity to use it, lies the foundation of personal progress." So I would tell my young friends that as they school and train themselves for the jobs ahead, they and their profession will increase in value to their companies. There is always room up top in any progressive business, and credit executives take their true position in executive councils of their own business just as their expanding ability earns the right.

Planning Credit Services

During the past strenuous war years full opportunity has been accorded for a close study of our direct services to normal business, particularly with their limited use under Government controlled war economy. This has permitted an evaluation of our Credit Interchange System, with some fundamental changes designed to render speed, and a more complete service that industry is demanding. The present plan may not be the complete and final answer, but it is worthy of a sincere trial with assurances of close study to give the best possible eventual solution for the handling of this important credit function.

Our Adjustment Departments are already planning how they can be of more service to our returning veterans and at the same time offer material assistance to them and all business in an endeavor to avoid difficulties that may be laid at the feet of faulty credit granting. In the same way our Legislative groups are cognizant of their problems and are ready to resume their normal procedure of legal protection to sound credits. We have plans for Credit Education that seem far beyond our present financial resources, but they are so worthwhile for our future generation of Credit Executives that it is my sincere wish the incoming Administration will find the means to place these plans into full force and effect. In a word, the keynote is better service to our members—they expect it.

Till The End of Time

In all respects, as represented both by the present and future, you have a grand organization. All the groups it was my pleasure to contact extended such a warm spirit of cordiality and friendly earnestness that my only regret is that strenuous travel conditions prevented my visiting all Associations. If my humble efforts have contributed anything at all to the advancement of Credit or to our Organization, I will feel more than proud. You have extended to me the highest credit honor, one that is beyond my ability to repay within the time allotted, so I pledge my continuous effort in any way that it can be used during all of my future business career.

Let's continue to work together for sound and progressive Credit.

New York Bankruptcy Committee Seeks Change in Bankruptcy Laws

New York: The Bankruptcy Law Committee of the New York Credit Men's Association recently had its Counsel, Randolph Montgomery, draw a proposed amendment to the National Bankruptcy Act, which, if passed, would place a limitation upon the tax claims of government, federal, state and city, giving them a reasonable priority and a general claim along with unsecured creditors for any balance. The amendment would also eliminate the collection of interest by the government on tax claims after the date of bankruptcy.

In its survey the Bankruptcy Law Committee found that many small estates are practically eaten up by tax claims running back a number of years and by accumulation of interest on such claims during the course of bankruptcy proceedings.

COST AS A CREDIT FACTOR

Future Demands Bond Be Close And Intimate

by ERNEST I. KILCUP
PAST-PRESIDENT, NACM
President and Treasurer
DAVOL RUBBER COMPANY
Providence

On first thought it may seem odd to suggest that there is need for closer co-operation between Credit Managers and Cost Accountants, but it will easily develop on second thought that the need for it is truly vital for the period ahead.

In order, however, to measure this need and to appraise the future it seems to me to be necessary for us to do some really basic thinking.

First we should recognize that for the last five years our commercial life has been adjusted to a military economy. The agencies of Government have been the chief customer channels for a tremendous part of our total production and services, leaving a sadly insufficient portion of goods for civilian requirements.

War Affected Credit

To a corresponding degree the application of cost accounting has been not to determine the relationship of costs to prices, as we would ordinarily do, in a civilian economy but of necessity to determine that relationship under statutory or administrative directives for purposes of renegotiation and redetermination or for the purpose of existing through the period of price controls which were intended to aid in the prevention of inflation.

Similarly, the administration of credit facilities has been affected. Much of the production for war has been financed through Federal agencies with or without participation by the usual lending sources and the employment of credit in the whole general program of war needs has rested substantially on the credit of the Federal Government. Coupled with these facts has been the further fact that sharply increased income levels of purchasers trying to find an outlet through the buying of needed goods has resulted in a sharp decrease in bad debt losses, even though there was a substantial withdrawal from active business by a large number of enterprises. To put it another way, and entirely without intending disparagement, credit management has been "sitting pretty."

But now, except for scarcities arising for the most part out of labor disturbances, we face an immediate future of large-scale production. True, volume in many lines will be affected by the application of price control theories, whether wise or otherwise, but generally speaking, Old Man Competition is about to rear his not too handsome head. And so I think we should study the market to provide a guide post for directing our activities into the future.

What Is the Market?

What or where is the market? Is it the manufacturer, or the wholesaler—or the retailer? Is it the mine, the farm, the hotel? As you scan accounts receivable or customers' purchase orders, or as you attempt to calculate the cost and price of items to sell to your immediate vendee it would seem that the market might be these outlets named, but isn't that the narrow view?

Instead, isn't the true market to be found in the desires and activities of all the people—you and I and nearly 140,000,000 others — scattered throughout the land? And this is not to say that we should disregard the foreign market but should merely use the domestic market for our initial thinking.

Assuming that we have established a fair premise let us attempt to develop something with it. According to the census of 1920 we had in this country a population of 106,540,000. By the time 1940 arrived this figure had increased to 131,970,000, including net immigration of 3,093,000. The best estimate available for 1944 indicated a population of 138,101,000, thus showing a total increase since 1920 of 31½ millions.

Families Are Buyers

However, the rate of increase during the last decade has declined sharply, and further analysis discloses that over a ten-year period the increase in total population was only about 7.2%. Now here is the significant collateral figure — and mark it well! While population increased about 7% the total number of families comprising the population increased over 16½%!

So the first conclusion we may draw is that while the demand generated by the people is generally increasing, the character of the demand is changing in respect of the family want as contrasted with or related to the individual want. Offhand we may recognize that consumer non-durable goods are in increasing demand in proportion to the population increase, but the demand for durable goods of household character will be accelerated as the trend towards the division of the population into family groups continues to increase.

Important Developments

Yet the figures already quoted need further analysis and thought,

for they disclose some very important collateral developments. Exclusion of the coloration afforded by immigration establishes that, while we have had some increase due to the birth rate exceeding the mortality rate, the age of surviving population has constantly tended upward. Infant mortality has been most materially reduced and the span of life has been materially lengthened.

At the turn of the century we were a nation of comparatively young people, for 82 out of every 100 were less than 45 years of age, and only 4 out of every 100 were over 65. Now contrast this with the fact that in 1940 only 74 out of each 100 were under 45 and 7 were over 65 and you begin to appreciate a discernible trend in demand change.

Expert opinion is that by the time the babies born today are married and reproducing, the likelihood is that only one-half of our people will be under 45 and one-tenth will be over 65. So the demand-change trend will probably continue and the market be affected accordingly.

Social Repercussions

The basic sciences have done a most remarkable job, through research, education and practice of the healing arts, in reducing mortality and increasing longevity; but these accomplishments are not free of social involvements. And at this point I merely allude to the impact of senescence upon our social structure insofar as dependency and non-productiveness are concerned, and to the unfortunate fact that the highest fertility rate usually occurs within that third of our population which, measured by environment, native ability and native intelligence is most likely to produce sub-efficient progeny. What further problems of this nature we may have to solve as the discovery and development of more and more "wonder-drugs" increase the rate of survivorship is anybody's guess.

Now, having thus touched upon the potential consumer and tucked the knowledge away for later reflection, we next turn to the facilities and methods of creating and distributing the goods and rendering the services that are necessary to satisfy the effective wants of the people.

There is only one good that results from war. That good is found in the acceleration of scientific achievements and the expansion of scientific discovery and knowledge. Under the duress of battle casualty, with too little time for immediate medical and surgical relief of the wounded, courage and audacity to do empirical things force the development of new techniques and therapies. The search for new offensive and defensive weapons results in amazing discoveries of ways and devices that frequently lend themselves in different guise to the material betterment of the standard of living by making it possible to produce new and better utilities than ever before.

An always doubtful blessing, however, is the rapid expansion of productive facilities for peak military needs, because at war's end the balance between the consumer potentials of supply and demand as measured by physical plant and normal needs has been thrown into dangerous imbalance.

Business Springs from a Need

Now you may well ask what does all the foregoing add up to or suggest?

Well, not much more than this: No matter what the business activity, it all points to the satisfaction of individual want. Whether the product results from extraction through mining or agriculture, through manufacturing or converting, or is more in the nature of a service rendered, it has no place in the scheme of things except as a means to the end, or as the final result, generated solely and simply because somewhere some one has a need to be filled.

Even though you are making a machine or machine part, are digging gold or raising watermelons, are baking bread or running a restaurant, you are involved directly or indirectly or both in accomplishing a simple, final result—you are helping to satisfy the needs or desires of the people, and their needs and desires are changing as the character of population changes.

Whence Comes Market's Money?

Up to this point our discussion of the market has revolved largely around its ultimate source nature, but we need to identify its demand effectiveness a little more clearly. To put it another way, what is the ability of the market to pay for things it wants and through what agencies of income earning does it establish this ability?

Average employment in agriculture hovers over long periods at approximately 11,000,000 distributed over approximately 6 million farms on which the total population is likely to be more than 25 million. During the last five years wages paid on farms have increased on the average almost 150%.

Average employment in manufacturing consistently holds to a figure of approximately 23½% of the total employed in all work. At the present time, this employment is in the neighborhood of 15 million, and probably will be for some years to come. Without attempting to analyze the changes which have occurred since the first of this current year, it should suffice to point out that up to January 1st average weekly earnings in manufacturing have increased in five years almost 100%.

Double Income in 5 Years

Thus we could go down the full line of employment and earnings to discover finally that the more than 50 million people gainfully employed have a total income which is about twice as large as the total income of only 5 years ago, and that this income increase has far outstripped the increase in the cost of living. To employ a statistical gauge, dollar wages have doubled while the value of the dollar has declined only 25%.

Under delegated power certain representatives of the Federal Government have injected their authority into our domestic economy with the view, whether arising out of sincere desire to accomplish a permanent good or for political reasons, of effectuating social change. But at the same time they have either refused or have lacked the intelligence to recognize that omission of any one integer in the structure of business economy without regard for the other integers can only disrupt the edifice and weaken it to the point of danger.

So, today, when our every energy and resource should be employed to the fullest extent in producing for immediate use, the imbalance be-

tween costs and prices has brought about an impoverishment of inventory for distribution. Not only are there many things that have not been produced in any part but also are there untold quantities of partly finished products which cannot move to market until conditions permit or encourage their completion.

Can't Produce and Lose

In no free or hypothetically free economy can production, at a loss, continue forever. But within the last few weeks evidence that belated recognition of the impossibility of continuing indefinitely the squeeze between costs and profits has arisen to encourage the belief that perhaps very soon the approach to price control is to become more realistic and more practical.

That being the case, many of the shackles on production and distribution will be thrown off. Increasing willingness to assume the normal risks of producing in pursuit of profit will encourage the creation and distribution of so very many more utilities that a narrowing of the spread now existing between actual demand and actual supply will commence. As that really begins to take place, the competitive force will reassert itself, and science and efficiency in the conduct of business will be restored to their proper places, thus again drawing more and more clearly the line of demarcation between the submarginal and the supramarginal enterprise.

Costs in Confusion

Since the beginning of the war almost every factor of cost has been thrown into a condition of absolute instability. Since V-J Day this instability has been accentuated by the impact of very substantial increases in the cost of labor and of the products of labor where price levels have been already adjusted. In few cases, however, have these costs been offset by permitting them to filter through for use in determination of the prices of all ultimate commodities affected, in order to assure an adequate proportion of profit.

Therefore, the importance of identifying accurately true previous costs, present actual costs, and prospective future costs represents a task of formidable proportions. In the first place, it is inescapable that much retrospective accounting will be necessary to determine those costs which, until now, have been too often hypothetical, through a failure to recognize intimately and accurately excess labor loads and the proper allocation of burden, whatever its type.

At the same time as this retrospective accounting is done, an analysis must be made of the cost factors actually known to be present at the immediate moment, upon a basis which can leave no room for misallocation, nor assume future absorption upon a stable basis, for it is most unlikely that the factors of cost will be anything other than highly changeable for quite a period to come.

Know What We're Doing

So if we are to continue to create, to sell, to furnish goods and services, under any program which recognizes that economic security must rest upon a foundation of adequate welfare and adequate rewards, we must be sure that, so far as the relation between cost and price is concerned, we know what we are doing today, and by prospective accounting we must have an intelligent idea of what we shall be doing tomorrow.

As we try to employ these fundamental principles of successful enterprise we must not overlook the fact that business operations themselves, in the broad, categorical sense, and in respect of the nature of enterprises, are also undergoing some rather remarkable changes.

Businesses May Increase

The total number of operated businesses has declined steadily in the United States for the last several years due to many things, but principally to scarcity of the material sinews of production and trade. But now we have two factors which are likely to reverse this trend.

The first of these is that the reacknowledgment of profit as the reward for enterprise will encourage anew the assumption of risk, and second is the very evident desire on the part of thousands of those who are returning from military service, and the other occupations of war, to branch out for themselves in business. For the larger part, they will doubtless be occupied not so much with production, but rather with distribution and service, since these are the least difficult of enterprises in which to engage from the standpoint of the assembly of capital and the ready application of it to the profit of the entrepreneur.

In addition to these, the natural evolution of business always results in the separation from employment of those who previously have been employees, and the transfer of their energies and experience to self-employment or to the employing class. Of the total who will thus strike out for themselves, the likelihood is that too large a proportion will be ill-prepared, ill-fitted, and financially incapable of meeting and solving the problems of risk and management which will face them. And, therefore, as the total number of enterprises increases the incidence of involuntary liquidation will increase. As this increase becomes evident it establishes a new factor of cost in terms of higher bad-debt loss, and it discloses a not inconsiderable economic waste.

Credit Man Enters Picture

At this point the practice of the credit profession begins to loom more importantly on the business horizon than it has for a long time. If we are to know our cost, and if, as a result of that knowledge, we are to earn the profit reward which comes from the intelligent assumption of risk, and if we are to direct our efforts towards the maintenance of a good and proper standard of living, it is for us to see that the fruits of our labors are channeled through the myriad agencies of distribution in such manner as will insure against dissipation of our wealth and our efforts through unwarranted subsidizing of unintelligent business operations.

The inevitable shift from today's sellers' market to tomorrow's buyers' market will require the utmost astuteness and skill in direction and management of business. The turnover of business units in most normal times due to insolvency or other forced liquidation is always challenging and thought-provoking. On that not too distant day when demand and supply are relatively balanced

the turnover will be greatly affected by the division of volume among the enlarged total of operators.

Close Contact Necessary

So to me it seems reasonable to say that the bond between the work of the Cost Accountant, in furnishing to management a faithful portrait of true costs, and the work of the Credit Manager, in recapturing those costs with the proper mark-ups on them necessary to profit, must needs be close and intimate.

But because no one business unit can be sufficient unto itself—because its welfare is directly affected by the welfare of its immediate customer, its supplier, its competitor, and eventually of all the people, this intimate bond must represent co-operation of effort not alone on an intra-mural basis but on an intra-industrial and on an inter-industrial basis as well.

And in the days ahead, the functions of lending agencies, such as banks, and of the professional assemblers of capital will need intimate and intelligent adaptation to the fluid circumstances which will obtain if we are to avert unnecessary waste or loss of capital.

Property Values Rising

We are in the midst of a period of rising property values? The prices paid for real estate have soared to unbelievable heights due, in part, to the age-old belief that the ownership of real estate is one of the great safeguards against insecurity resulting from inflation, and for the remaining part to the fact that construction has fallen woefully behind the demand for homes and desirable business structures.

You know too well the dizzy spiral of prices for urban real estate. You know also that farms and non-urban property have been in tremendous demand and have sold at great premiums. And you also know that those who are credited with being qualified to speak have estimated that without controls it will take at least five years before these values begin to approach normal; that even at the end of that time we may have reached a point where, except for plain and unadulterated recession, they are likely to settle at a new and higher median of value than has ever obtained before in our history.

Real Estate Hazards

But, can you convince yourself that the $10,000.00 property which sells for $18,000.00 to $20,000.00 today, and which is acceptable for a purchase-money mortgage at the present time of from $10,800.00 to $12,000.00, truly represents adequate security for the lien which has been placed against it? Are we certain that before amortization has reduced the lien to the sound value of the property there may not be even some non-recurring factor which will upset these values? Even though this may be only temporary, it may be in sufficient degree and for a long-enough period of hesitation to result in such forced write-off of values as will require the exercise of the lien and thus jeopardize all those other security values, which, because of the fundamental nature of real estate, are usually indissolubly linked with the values of real estate.

On the other hand, there is one particularly bright spot in the picture of the economic welfare of our country.

Public Shows Sense

While it is true that the Federal debt has risen to such heights that the carrying charges upon it vitiate a substantial portion of the spendable power of many, by redistributing it through the Federal payroll which has grown so alarmingly large, and through interest payments to others, nevertheless, the people who have bought War, Victory and Savings Bonds apparently are showing an unexpectedly high degree of sagacity in their attitude towards their savings.

It was freely predicted during the war that Savings Bonds would be purchased and held only long enough to provide the means for the acquisition of those goods and comforts which had not been procurable during the war, and that there would be a wholesale unloading of the little bonds with a tragically inflationary effect because of continuing scarcities of goods and comforts. Today, however, we have reason to believe that the Jeremiahs of yesteryear were false prophets, for it is now easily discernible that the intent of the people is not to waste their accumulated savings as they satisfy their wants, but rather to use present and future income, thus leaving stores of value relatively unimpaired and as the guarantee of security for the future.

Bonds Guarantee Security

So here we have the people providing a backlog intended for their own individual security, but which, to all enterprise, generally speaking, is an even more encouraging guarantee of security. So long as those stores of value remain unimpaired, or are used only to maintain subsistence when all other means fail, they represent a fundamental stabilization fund of incalculable value to all of us.

So there, not too connectedly and perhaps not too coherently, is my impression of today. We should have but one purpose—to project our thinking into the future with full realization that that future is not lightly to be appraised nor easily to be dismissed from our immediate planning. Every person who has voluntarily assumed responsibility of managerial nature is more his brother's keeper today than ever before. He is, in his own small way, a custodian of the public welfare, and he must, as an individual—and collectively with others with whom he is associated in an enterprise or general business way—give to his work and to all of the common problems unstintingly of his mental energy to the end not only that he may better his own qualifications for an increasing share in the rewards for labor well done, but also that the good of all the people may continually be promoted.

G. F. Buscher Heads Waterbury's New Board

Waterbury: George F. Buscher of the Waterbury Buckle Company was elected president of the Waterbury Association of Credit Men at the Annual Meeting at the Curtis House. He succeeds Herbert Pinter. Other officers named were: Vice-President, John E. Bulger of the Citizens and Manufacturers National Bank; Second Vice-President, Alexander P Raeburn of M. J. Daly and Sons, Inc.; Treasurer, Arthur F. Magraw of the Colonial Trust Co.; and Secretary, R. W. Brown of the Mullite Refractories Company.

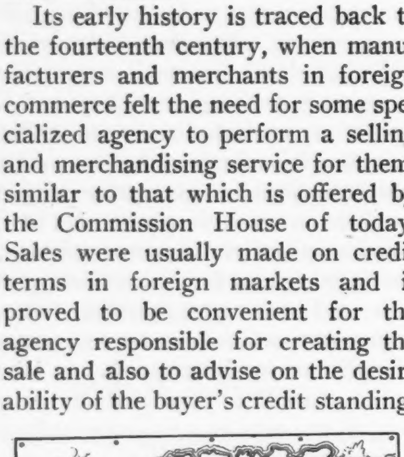
WHAT DOES A FACTOR DO?

Billion Dollar Business Solves Collection Problem

by H. J. DELANEY
Executive Vice-President
MEINHARD, GREEF & CO., INC.
New York

At the outset, I think it should be made clear that accounts receivable financing is not a new development, excepting, perhaps, in industries outside of the textile field. However, it did not come to general public notice until sometime around 1928, when the balance sheet of the C. I. T. Financial Corporation carried an item called "Factored Receivables." Later, I believe it was sometime around 1933, on the statement of the Commercial Credit Corporation, the securities of which are also publicly held, the same item appeared, and from then on, factoring became a subject of interest outside of textiles.

Its early history is traced back to the fourteenth century, when manufacturers and merchants in foreign commerce felt the need for some specialized agency to perform a selling and merchandising service for them, similar to that which is offered by the Commission House of today. Sales were usually made on credit terms in foreign markets and it proved to be convenient for the agency responsible for creating the sale and also to advise on the desirability of the buyer's credit standing.



Buyer's Credit Standing

Finally, the agent undertook in some instances to absorb losses arising out of such transactions by buying the open account without recourse to his foreign principal.

Factors in Shakespeare

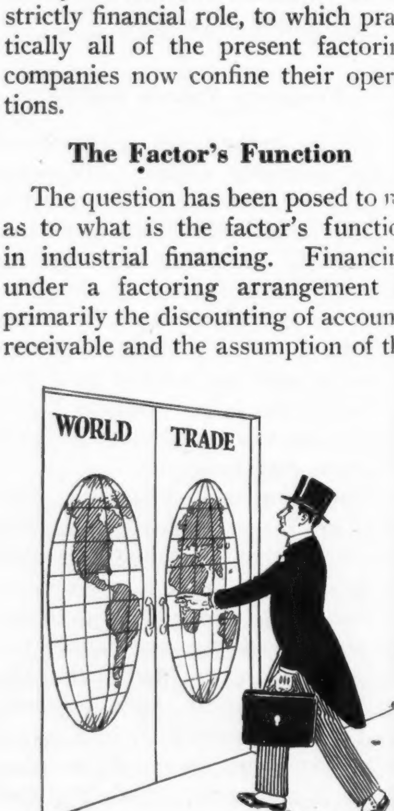
In effect, the manufacturer was placed in the position of selling his production on a cash basis. Even in the days of Shakespeare, we find factors referred to in a number of his plays. In "Henry IV" for example, the following quotation appears: "Percy is my factor, good my lord, to engross up glorious deeds in by behalf." A century later, Joseph Addison, in his book, "Royal Exchange", referred to the importance of factoring very admirably when he quoted, "Factors are in the trading world what ambassadors are in the political world."

In the development of our own country at the turn of the nineteenth century, foreign shippers of merchandise looked for sources to distribute their goods and, at the same time, assume the responsibility of guaranteeing the credit solvency of the buyer. The demand for this combined selling and financing service by the agent resulted eventually in the emergence of factoring as an economic function. As these agents became strong financially, the mills turned to them for money to be advanced against the sale of the goods and also for loans on merchandise in the agent's possession, as well as for financial assistance while goods were in process of manufacture.

The history of our large, modern factoring houses reveals that they had their early beginnings as commission merchants. Four of these organizations had their origin prior to the middle of the nineteenth century, William Iselin and Co., Inc., being founded in 1808, Rusch & Company in 1827, Vietor & Achelis, and Schefer, Schramm & Vogel (both of which are now part of Commercial Factors Corporation) in 1828 and 1838 respectively, and L. F. Dommerich & Company in 1839. Meinhard, Greef & Company, Inc. was organized in 1896, acquiring Greef & Co. in 1931, the latter company having had its birth in 1850. In each case, the dual roles of financing and merchandising were finally discontinued in favor of the strictly financial role, to which practically all of the present factoring companies now confine their operations.

The Factor's Function

The question has been posed to me as to what is the factor's function in industrial financing. Financing under a factoring arrangement is primarily the discounting of accounts receivable and the assumption of the



Factors . . . Ambassadors

guarantee as to the solvency of the mill's customer. We have here a

combination banking and credit guarantee service without any change in the relationship between the seller and the buyer. All conditions of the sales contract as to price of goods, credit terms and delivery dates are handled between the mill and its customer, with final disposition of the order, from a credit viewpoint, resting entirely with the factor. The types of clients who are usually served under this kind of agreement are manufacturers, converters, selling agents, chemical and dye companies, finishers and, occasionally, service organizations. The plan has been confined almost exclusively to the cotton, rayon and woolen and worsted trades of the textile industry.

New Tendency

Recently, however, there has been a tendency shown by the factors to explore markets outside of these fields and this movement is steadily developing. Industries which were created as war necessities and which manufactured for the government many items relating to our armament program, have, since V-J Day, been attracted to factoring in connection with their reconversion to a civilian operation. This interest is predicated principally on the flexibility of the loaning arrangement offered by the factor and the assurance to the manufacturer that his distribution, which may be going to markets with which he is unfamiliar, is guaranteed against any possible loss by reason of credit insolvencies. As an illustration, may I point out that our own company recently concluded a contract with a company which formerly manufactured parts for the aviation industry during the war and is now engaged in the production of aluminum bridge sets. In this case, we were able to offer considerable financial assistance by reason of our willingness to advance cash up to 100% of the face amount of the invoice, and make moderate merchandise loans on raw material and goods in process, which accommodation the client was unable to secure through regular banking sources. Our services were also engaged by the management in selecting several sales agencies, to handle their distribution in the eastern and middle western markets.

The number of clients served by the established factors in New York

. . . Carried an Item . . .

varies all the way from 50 to 500 and the amount of receivables purchased annually may range from $200,000 to ten million dollars for individual clients, with some mill accounts running in excess of 25 million per year, such as the Botany Worsted, Textron and Iselin-Jefferson, just to cite a few.

Contrary to the opinion expressed by those who lack intimate knowledge of the business, the financial responsibility of concerns that use factoring for their financing is reasonably substantial. A statistical study of this subject, which was conducted in 1942, brought to light that the tangible net worth of factored mills ran from $100,000 to three million dollars. You may be interested in learning that in our own company, a cross-section check of our accounts revealed the following information:

Of three hosiery companies, out of ten clients served in this industry, the composite net worth in 1941 was $1,030,000 with a working capital of $179,000. At the end of 1944, the same group had a composite net worth of $1,208,000 and a working capital position of $655,000. The over-all average of these mills as to net worth and working capital at the end of 1944 was $403,000 tangible capital and $219,000 of excess current assets over current debt.

In the woolen and worsted manufacturing group, ten mills covered by this study had a net worth at the end of 1942 of $8,060,000 or an average per mill of $806,000. At the end of 1944, the net worth over-all had increased to nine million dollars with working capital at $5,111,000.

In the cotton goods field, an analysis of two mills manufacturing sheetings and osnaburgs revealed an over-all tangible net worth of $1,993,000, or an average of $996,000 per mill unit, with a total working capital position of $957,000 and a net quick position of $478,000 per mill.

These statistical facts are cited in order to disprove the theory of some credit executives that financing on an accounts receivable basis is an indication of financial weakness. One or two of the mills in the groups which I have just mentioned have a tangible net worth in excess of the capital of our own company.

Why Use Factors?

It is only natural of the uninformed to ask, "Why should these types of companies use factoring for their financing?" In answering the question, we have to keep in mind that the textile industry is centralized in various geographical localities, according to the type of product manufactured. The woolen and worsted industry is concentrated in the east, the majority of mills being located in New England, although we have isolated cases of woolen manufacturing companies being located in Tennessee, Ohio and in one or two of the northwestern states. The managements of these companies are primarily concerned with production and they leave the distribution of their product in the hands of expert distributors who are usually located in New York City, the principal textile market. The mill is not anxious to burden its agent with the responsibility for the credit worthiness of the buyer and, as a rule, the agent in turn is usually unwilling to assume this obligation. For this reason, the textile industry as a general rule prefers to employ the services of a factor to insure, and I use the word advisedly, the collection of the receivable once the merchandise is shipped. Factoring thereby relieves the mill and its agent of the responsibility of collecting the accounts and in this manner the mill has no credit problem.

In the interest of economy, the procedure which is followed by the mill, the agent and the factor is routine. As orders are received by the agent, he immediately contacts the factor's credit department by telephone, reporting all the particulars of the order as to dollar amount, credit terms and delivery dates. Approvals are issued verbally, but confirmed in writing at the end

of each day, to the mill as well as the agent. Where out-of-town mills are concerned, without local representation, teletype services are employed, or a code system is used, and approvals are expedited by telegraph service.

Bill Payable to Factor

When goods have been processed to the finished state, shipment is made by the mill, and a regular invoice is rendered to the customer on the face of which there is a notation telling the debtor that the bill is assigned to and payable only to the factor, to whom notice must be given immediately of any merchandise claim for shortages, non-deliveries, returns or for any other merchandise reason. A duplicate copy of the invoice, which is in the form of an assignment and to which is attached the shipping receipt, is transferred to the factor, who is then prepared to discount the sale and handle all collection problems. Once the approved shipment is made and the merchandise is accepted and found to be satisfactory by the customer, the mill has no further dealings with this particular transaction. All losses due to insolvency, unless there is a failure to pay because of a merchandise dispute, are assumed by the factor.

In instances of disputes, the factor may charge back such an account to the mill, although he is always prepared to assist in the settlement of the claim. Where there are definite indications that a claim is used to cover up actual insolvency on the part of the debtor, the factor will usually assume the risk of loss.

Mill Paid Immediately

When the assignment is received by the factor, the net proceeds of the shipment, after deducting customer's discount and factor's commission, are available immediately to the mill. While factoring agreements provide that a reasonable reserve shall be retained on the factor's books to allow for contingencies, such as disputes and returns, it is not unusual for the mill to receive 100% of the net amount of its daily shipments. The discounting of sales is regulated according to the financial responsibility of the mill and the factor's experiences with respect to returns and disputes.

Some mill clients take money as fast as invoices are assigned, while others draw funds only on the basis of current requirements for payrolls and material obligations, thereby allowing part of the credit against the sales to accumulate with the factor. All factoring contracts provide for a 6% discount rate pro and con, and while it has not been uncommon for mills to carry large credit balances with the factor during the past three years, the latter cannot permit these balances to reach excess proportions as this would have the tendency to reduce earned commissions for the credit guarantee service.

Factor vs. Bank

It has been frequently stated by those who are not in intimate touch with a factoring arrangement that its costs are excessive and a burden to the average concern. Comparisons have often been made of the factor's 6% discount rate with the cheap money which has been offered by banks over the past ten years. The proponents of this argument confuse the discount charge with money rates. All the factor does for his client is to anticipate to maturity date the sales for the current month at the same rate of anticipation as the mill has offered to its customer. If the mill requires all of these funds during the month it is equivalent to asking its clients to pay for the shipment as soon as it arrives, but, instead of doing so, it requests the factor to replace the customer and handle the account on the same basis.

In those instances where mills are in easy financial shape, the funds which are not drawn during the month result in a credit balance at the end of each month on which the mill is credited with interest at the rate of 6%. Because of the accelerated flow of merchandise during the war years and the large profits which were earned by the textile industry in general, most accounts have drawn not more than 50% of their monthly shipments, resulting in a pure interest charge to them of approximately 3% per annum for the financing.

Fixed Expenses Low

Therefore, the only actual fixed expense which is added to the mill's overhead is the commission for guaranteeing the credit solvency of the customer. In this respect the average rate of most factors at the present time runs from one-half of 1% on short-term business to approximately 1¼% where terms exceed ten days. For this service charge the mill has the advantage of a well-organized, efficient, expert credit department and eliminates from its direct overhead the expense attached to general bookkeeping routines such as maintaining a customer's ledger account, handling the collection of receivables at maturity date, and the maintenance of a credit department which, in addition to salary expenses for personnel, also involves cost of agency services, credit insurance and the unknown factor of credit losses. In addition to these facilities of discounting receivables, factoring also provides for inventory loans. The management of every mill needs to follow a policy of taking either a long or a short inventory position, depending upon economic conditions.

In an active market, such as we are experiencing at the present time, it may be to the advantage of the weaving mill to accumulate yarn inventories even though the deliveries of such fabrics may exceed their current production schedules. Where liquid funds are not available in sufficient quantity, through the discounting of receivables to take care of maturing obligations, it is not unusual for the factor to augment his services by advancing loans against such inventory collateral. If these loans are of short duration and of reasonable amounts, they may be handled on an unsecured basis, but should the program provide for a lengthy period in which to liquidate and the advance is a large one, it is customary for the loan to be collateralized by the consignment of inventory.

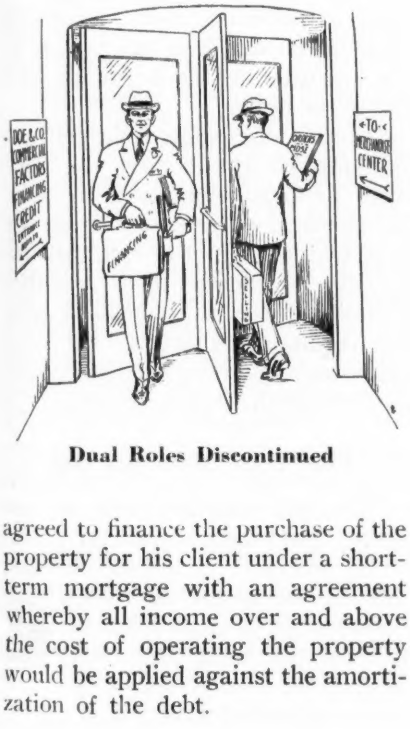
Loans for Machinery

You might now raise the question of whether the services of a factor include the advancing of funds to the clients for the purchase of machinery or even plant buildings. As a general rule, this type of loan is not received with too much enthusiasm by the factors, but there are exceptions which are predicated upon the advisability of such an expansion program, either from the

angle of increased production, reduced costs, or the installation of new machinery to meet a changing condition in the industry.

An illustration of this exception is noted in the case of a worsted mill which occupied space in a loft building, title to which was held in an estate administered by a local bank as trustee. Due to rising real estate values, the trustee elected to offer the property for sale. One of the prospective purchasers was a concern which contemplated using the entire building for its own occupancy, which would have compelled the factor's client to look for other quarters.

The nearest available site was sixty miles away with a bad labor market and to make a change would have involved a tremendous outlay in moving and installing the equipment in the new plant. The factor



Dual Roles Discontinued

agreed to finance the purchase of the property for his client under a short-term mortgage with an agreement whereby all income over and above the cost of operating the property would be applied against the amortization of the debt.

Merchandising Aid Also

The recent trend of vertical integration in the industry, where converters have moved back to a weaving operation and weavers have been compelled to buy spinning equipment because of shortages of yarns, has found the alert factors prepared and ready to assist their clients in the acquisition of machinery, provided unreasonable risks are not involved.

The factor is also in a position to offer many other services to its clients which are not a part of the factoring contract. Merchandising assistance is provided in the form of surveys of markets in which role the factor is unusually qualified because of his former merchandising background and through his present close relations with mills, agents and finishers, which represent very broad market contacts.

Through its extensive credit department operation, the factor is in an unusually good position from which to observe merchandise developments and trends. He is able constantly to advise the sales agent of the mill on the question of distribution. Today this may not be a serious problem to any sales manager, but in time, and perhaps not so long away as some seem to think, merchandising problems will again appear on the market. For some months past new concerns have been coming steadily into the textile field. An analysis of this trend conducted in February of this year brought to light a striking rise in the number of new enterprises in the men's and women's wear lines since the end of 1942, the greatest percentage of increase occurring in the last twelve months. Most of this gain has happened in the women's wear field, approximately 580 new concerns having had their inception since 1941. Contrasted with this expansion, the study reveals 210 new companies starting fresh in the men's wear apparel industry.

A Thousand New Problems

We have in these two illustrations a total of about one thousand new credit and merchandising problems for the future. Each of these new concerns has been studied by the factor's credit department as to its desirability from the angle of credit worthiness and sales potentiality. Their price ranges have been analyzed in order to determine the type of goods suitable to their operations, and complete data have been assembled on each of them by the factor for use by the mill and its selling agency. Instantaneous service can be rendered on these accounts and an intelligent, planned sales program can be established by the mill. Merchandise can be directed into safe and remunerative channels under the guidance of the experienced credit executives of the factoring organization who are intimately informed of trends and new developments in these various industries.

Textile Losses Common

Inventory losses by textile mills are common in a weak market and when prices are declining. For the most part, these losses occur on raw materials but the indirect cause of many of them appears to be in the inventory obligation on orders, which cutters shift back to mills through the median of cancellations, price adjustments and returns. Much of the shock of inventory losses in the production and distribution of merchandise can be avoided if statistical data is available to the mill as to the order position of a customer at periodic intervals, which commitment position can be analyzed in relation to the customer's working capital position and his sales potential for the current season.

Factors have such statistical facts at their disposal through their market contacts which supply information on order commitments placed with other mills. The factors, as a group, have their credit executives meet weekly at round table discussions where confidential information concerning order backlogs is freely exchanged, and through the pooling of these data the factor is always informed as to the advance commitment of the mill's client.

When definite indications of speculative over-buying appear in these reports, the customer is contacted to determine the reason for such excess buying and the mill is then advised relative to pending orders and future solicitation of the account. The non-factored mill is not in a position to keep in touch with these sudden changes in the financial condition of its customer.

Mad Scramble for Dollars

In the days ahead, when production schedules have attained normal levels, it will be necessary to consider seriously the strong consumer appeal that is likely to wed itself to the new and improved products that will be offered by many industries. There will be a mad scramble by all business to gobble up the consumer's dollar. Merchandise which

(Continued on page 39)

SALES UNDER TRUST RECEIPTS

Some Possible Pitfalls for The Unwary

by CARL B. EVERBERG
LL.B., LL.M.

Special Writer on the Laws of Trade

The comparatively recent innovation of trust receipts transactions in domestic trade grew out of the necessity of financing dealers requiring very substantial working capital. This explains the rather common use of these instruments in the automobile trade. However their use is by no means limited to the sale of cars; for refrigerators, household equipment are disposed of to the ultimate consumers by this method of distribution.

Three Parties Concerned

Three different parties are involved in the use of trust receipts: (1) the dealer who obtains possession of merchandise for resale, (2) the manufacturer or distributor of the merchandise, and (3) the finance company or bank which pays the manufacturer or distributor for the merchandise and takes title. Since a person cannot sell an article without title to it, except as agent or trustee for some other person, this trust receipts transaction conceives that the dealer is acting as a trustee for the banking institution. While the dealer takes possession of merchandise, but not the title documents, he gives the bank a statement to the effect that he holds the merchandise in trust for the latter. This statement is known as the trust receipt.

In legal terminology therefore, the dealer is known as the *trustee* and the finance company or banking institution is called the *entruster*. The original seller, the manufacturer or distributor, is out of the dealings as soon as payment to him is made, and no special name has been assigned to him in the relationship between the three necessary parties.

The tenor of all preceding articles in this series has been to point out ways and means of securing a manufacturer or distributor in the sales of merchandise. What is there to write about then if the manufacturer gets his money immediately from a bank? Any hazards thereafter are assumed by the bank, are they not? While this is true all manufacturers should be interested in the legal points involved, and especially should their credit departments be interested in any customer or prospective customer, whose seeming assets may consist largely of inventory covered by trust receipts. Suppliers who grant credit to any dealer of merchandise under the trust receipts arrangement should be quite interested to inquire as to what extent the courts will or will not uphold the entruster's (banker's) claim to the merchandise as against general creditors when the trustee (dealer) goes into bankruptcy. This brings up the question, therefore, of the rights of creditors.

Rights of Creditors

Many courts do not like to defeat the claims of creditors against the property held by a trustee under trust receipts where the creditors have had no knowledge and there has been no notice of record, as to the transaction. And practically all courts hold certain of these instruments as chattel mortgages when the manufacturer makes an outright sale to the dealer, passing both possession and title to him, and the dealer then delivers a trust receipt to a banker as security for a loan. In the pure trust receipts transaction the banker takes title from the beginning; there is no doubt left from the papers and mechanics of the dealings between the parties, as to such fact. And there are many courts who give support to the entruster's claim against those of unsecured creditors, according to the tenor of the trust receipt, especially where it is plain that title passed to the entruster in the beginning and not to the dealer.

All this discussion is largely innocuous, however, where the Uniform Trust Receipt Act is in force. In the states where the Uniform Act is passed, the rights of creditors are largely dependent upon whether there has been a compliance with the requirements of the Act with reference to giving public notice concerning these transactions.

The Trust Receipts Act

The Act requires that an entruster give "new value" for a "security interest" in the merchandise in the possession of the dealer. The trust receipt amongst other things is to recite that a "security interest" is to pass or has passed to the entruster (banker). Sec. 2.

Finance companies advancing moneys to an automobile dealer who issued trust receipts on the cars, were "entrusters" who gave "new value." *Peoples Finance & Thrift Co. v. Bowman,* 58 Cal. App. (2nd) 729.

The principal feature of the Uniform Act is the filing requirement. The entruster (banker) is to file with the Secretary of State (and in some states also, with the county clerk or prothonotary as in Pa. where the trustee is located) a statement signed by the entruster and

trustee, to the effect that the entruster is engaged or expects to be engaged in financing under trust receipts transactions and containing a description of the kind of goods or to be covered by such financing. This filing is good for one year but it may be renewed for additional periods of one year.

Where filing requirements are complied with the entruster may enforce his rights to repossess the merchandise on default, or as the trust receipt provides. Sec. 6 prescribes the entruster's rights and duties with respect to the repossessed property.

Validity Against Creditors

The entruster's security interest in the goods is designed under the Act to be valid against creditors of the trustee for 30 days after delivery of the merchandise to the trustee without filing. To be valid for more than 30 days the statement must be filed. Sec. 8.

The statement required to be filed certainly does not give even the reader of it much information. The most it tells the public is that two parties are engaging in trust receipts transactions, and it need only tell the *kind* of goods (ex. coffee, silk, automobiles) covered by the financing. It does not as in the case of a chattel mortgage or conditional sale, put a description of the specific property subject to the transaction, on record. It cannot do more however; to impose the obligation of recording every item to be sold by a dealer would be an insuperable burden.

This is undoubtedly the best device that humans have been able to invent by way of public notice in these cases—a statement filed or recorded in the office of the Secretary of State (and the local clerk of court's office in some states). But how shall we see it without making a visit to the records? And we are bound by it whether we see it or not.

Don't Be Deceived

Of course we need not be deceived by the mere appearance of what seems to be a heavy inventory in the window or on the floor of the customer, or prospective customer. A prudent credit man would hardly base a decision to grant credit only on the observation of the machines or articles on the customer's premises. The balance sheet and responses to questions propounded to the customer about his equities (or other parties' equities) in the inventory would be the more sensible way of acquiring dependable credit information. Yet, as it happens now and then, a customer having issued a financial statement may shortly thereafter begin to engage in trust receipts transactions, or any kind of transactions materially changing the financial setup as reflected in the statement. For this reason an alert credit man would like to be on the watch for public notices concerning pledges or liens on a customer's property.

In some of the larger cities daily legal journals are published containing brief abstracts of these recordings and filings. Credit men who have the benefit of such publications are in a good spot to keep up to date with customers' doings in these matters.

Purchasers from Trustee

When sales are made in the ordinary course of trade, an innocent buyer takes free of the entruster's security interest whether there is a filing or not. Sec. 9.

The following states, have, up to the time of this writing, adopted the Uniform Trust Receipts Act: California, Connecticut, Idaho, Illinois, Indiana, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New York, North Dakota, Oregon, Pennsylvania, South Dakota, Tennessee, Utah, Virginia and Washington.

Warehouse Receipts

The use of warehouse receipts for the purposes of financing is a familiar transaction. Our treatment of the subject will be directed toward any effect which the practice of warehousing may have on creditors' claims against the assets subject to the receipts. This will promptly dispose of the type of warehousing in which goods are stored in commodity warehouses owned by the warehouseman. The transfer of a negotiable warehouse receipt transfers title to the goods absolutely, and when the goods are stored in a warehouse, no creditor can be said to be deceived by the *indicia* of ownership. Therefore it leaves field warehousing to be explored from the standpoint of creditors of the depositor of goods warehoused.

It is said that modern field warehousing was a depression-born creature, although the idea is not entirely new. It comprehends, for example, a situation where a manufacturer has no other assets available for financing purposes than a large stock of raw materials awaiting manufacture. To use such assets for financing purposes he leases the portion of his premises, or building, containing the materials to a warehouse company. The warehouse company then partitions this space and identifies it with signs, places a custodian in charge and issues warehouse receipts. These warehouse receipts are then pledged with a bank as security for loans.

When the manufacturer wants to convert the raw material into finished goods he arranges for a temporary possession for that purpose or he may go to the bank and exchange a trust receipt for the warehouse receipt. When he sells the product he pays off the bank. Often the bank receives the proceeds of the sale direct and releases the goods which have been sold. Field warehousing may also cover goods already finished.

Lien May Not Be Valid

If the goods are not sufficiently segregated, or signs are not posted, or the merchandise not tagged, or (according to decisions in some states) the manufacturer attempts to act as his own warehouseman instead of dealing with a bona fide independent warehouseman, the lien purporting to arise under the warehouse receipts may not be valid. 268 Mo. 547. However in the case of bonded whiskey distilleries, the transferee of a receipt obtains a valid lien because the government is virtually in control of the warehouse. 234 U. S. 399, 232 U. S. 174.

The reader of this article, if not a prospect for warehouse receipts financing will undoubtedly be interested in these cases in the event he becomes a creditor of a manufacturer going into bankruptcy, whose inventory has come under field warehousing receipts. The courts will not enforce a warehouse receipt lien against a trustee in

bankruptcy (who stands for unsecured creditors) where there has been a deception of creditors or where the failure to segregate, mark the goods, take unequivocal possession, etc., has resulted in a misleading of creditors. 206 U. S. 415.

The Bulk Sales Law

In the case of fungible goods, i. e., where all the units of a mass are equivalent, it is physically impossible to mark each lot as coming under such-and-such receipt. Thus a series of receipts covering portions less than the total of a large pile of coal were held valid where the other requirements of notice existed. 29 Fed. Suppl. 106, 109.

Field warehousing should probably not come under the provisions of the bulk Sales Law because there is no actual change of title as between the depositor and the warehouseman, yet this may become a troublesome question for lenders in the future. Some few attacks on field warehousing have been made on this ground although they have not been generally successful. But there is much room for variance of judicial views amongst the courts of 48 states.

Assignments

Finance companies had a heyday up till a few short years ago on loans secured by assignments of accounts receivable. The conservative banking institutions could not be persuaded that they were passing up the lushest kind of business when they refused to loan money on this type of security. They did finally, when competitive conditions compelled them to step outside of their conventional lines, turn to accounts receivable financing. And they discovered that they had let a most lucrative opportunity slip away, to put their funds into a safe and profitable venture. In the early days when finance companies practically preempted this field the interest rates were almost enough to stagger the imagination. But today competition has levelled off the rates until they are only a little above the par of those on the usual secured loan.

In those earlier days of whopping interest rates the discovery that a customer-debtor was pledging accounts receivable for working capital was a sure sign of the early demise of the borrower. It used to strike the average observer as an act of sheer desperation when a business firm resorted to such expensive financing. With the entry of all types of banking institutions into this field and with the resultant lessening of the cost of borrowing money on accounts receivable, such a reaction does not necessarily follow in these modern days.

Interesting Circumstances

The history of accounts receivable financing discloses some interesting circumstances. The finance companies found that it was not feasible to insist on notification of the assignment to debtors of the borrower. In the first place the debtors of the borrower upon learning of the assignment often ceased buying any more merchandise. Seconly it was a costly operation and finally the borrower resisted the idea to the extent that the finance companies encountered considerable trouble selling their financing service. Thus the banks which came on the scene in later years perpetuated the system worked out by the finance companies (with some exceptions) and they too loaned money on the non-notification plan. However, something was happening just about this time to the national Bankruptcy Act wich brought the bankers considerable grief.

Notice May Be Necessary

This distressing event was the new provision known as Sec. 60-a of the Bankruptcy Act. This paragraph, though framed in language not easily understood, and certainly requiring judicial interpretation because of its highly generalized phraseology, has come to mean that an assignment *may not* be valid as against a trustee in bankruptcy for the borrower unless notice is given to the borrower's debtors. It depends upon the law of each state as to whether notice is necessary to perfect title in the assignee bank.

Counsel for banks were pressed when this section appeared in the most recent Bankruptcy Act, to ascertain whether in such-and-such a state, a notice was necessary. When these men of legal erudition began to make the necessary research they did not always find a definite answer. The question had not been an active one until this new development. There was much uncertainty and ambiguity in many states. Furthermore the discussion of this problem widened out until certain credit groups, the Credit Men's Association groups notably, began to feel that there ought in any event, to be a requirement for the recording of these transactions so that suppliers of credit might be alerted by such public notice.

Ohio Statute

The state of Ohio was one of the first to oblige with a statute (1941) designed to facilitate accounts receivable financing and to provide public notice as a substitute for giving notice to each debtor. Under the provisions of this statute an affidavit is filed with the County Recorder of the county where the assignor resides (or if a corporation where the assignor has its principal place of business) with the names and addresses of assignor and assignee and stating that the assignor has arranged to assign to the assignee an account or accounts. Beyond that it is not necessary to describe the account or accounts; and the amount involved is not ascertainable from the record. The purpose of this legislation is to do away with the necessity of notifying debtors of the borrowers of the assignment. It further was enacted to satisfy the Credit Men's groups who had asked for a public notice law against liens on a man's assets which otherwise would remain secret. What was said with respect to public notice under Trust Receipts may also be said here. The availability of the notice to the average credit man is difficult unless he has access to a legal journal reproducing abstracts of these filings. And furthermore, nothing goes into the record except the declaration of an intent to assign accounts receivable. Nevertheless it probably is the best that can be done; it would be imposing too great a burden on everybody to expect every account to be recorded (which would necessarily entail filing a discharge also when due).

The state of Pennsylvania, in the

same year in which Ohio passed the above-discussed legislation, enacted what is known as a "book-marking" statute to fulfill the requirements of a substitute for giving notice to each debtor of a borrower. All that is necessary here is that the assignor make record of the assignment concurrently with giving the assignment, *in his own books*. The record must include the name of the assignee, indebtedness of the assignor, the fact of and the date of the assignment. This lets the parties off easily so far as the duty of making public record is concerned, but the question definitely posed is: how public is the notice? And further, how is a credit man going to see that kind of record? Other states have contemplated imitating this Pennsylvania legislation.

Several states have passed public notice laws similar to the one in Ohio. Many states have not as yet acted on this confused situation. In some states the law is definitely established by supreme court decisions that no notice is necessary to a debtor of a borrower; hence there is no need of legislation.

Example in Pennsylvania

A decision of the U. S. Supreme Court is of great interest on this subject bearing on cases where notification is required by state law (or a substitute public recording). This case is *Corn Exchange Nat. Bank v. Klauder* 318 U. S. 434. This case arose, incidentally, in the state of Pennsylvania before the enactment of the book-marking statute. In many respects, therefore, the decision is somewhat innocuous in that state unless a case arises in which neither notice was given to the borrower's debtor, nor the required marking of the assignor's books were made. The decision definitely dampened the ardor of many banks in proceeding with this type of financing on any substantial volume in those states where the question as to whether notice is necessary is still not definitely answered.

Bills are being presented from time to time in many of the states to remedy the uncertainty prevailing now. The following states have recording or defining laws of some sort: Arkansas, California, Connecticut, Georgia, Idaho, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Virginia and Wisconsin. The naming of these states does not mean that they have recording laws necessarily; it only means that various requirements as to valid assignments are stated by law in these states. Quite a few have public notice or recording laws. Since this article is not written from the perspective of the lender's interests it is not deemed necessary to make abstracts of these laws here.

Conclusion

This brings us to the conclusion. And in concluding it might once more be stated that throughout this series of articles one main perspective has been preserved. That has been from the spot where the manufacturer (or wholesaler) is sitting. Whatever could be said to aid him in securing his sales (or his credits) from a legal standpoint has been stated as concisely as possible. This last article may seem to have wandered from the stated purpose in that it treats of methods of financing. However, there is an importance to reviewing operations in a customer's business which may affect, probably detrimentally, the creditor's equity in that business. Any lien of a secret nature may certainly detrimentally affect the supplier of credit to the customer whose assets have become subject to the lien. It is certainly of no comfort to a credit man to discover, after his customer has gone into bankruptcy, that virtually none of the assets are free (lock, stock and barrel being pledged to financing institutions).

The chaotic conditions toward which our economic society is drifting, crippling strikes, slow-down of production, shortages, mounting unemployment due to shut-downs enforced by strikes, are enough to put the modern credit man on a *qui vive* to such an extent as never before. The extraordinarily low rate of trade failures even in the midst of these gathering storm clouds may, even as the calm in nature, presage a cloudburst. Notwithstanding, things may not turn out so bad; we Americans may find the way out before too late.

Congress to Be Asked to Amend Chandler Act

The New York Credit Men's Association, through its Bankruptcy Law Committee, proposes to introduce into Congress an amendment to the National Bankruptcy Act, known as the Chandler Act, by limiting the right of the U. S. Government to collect more than a reasonable priority on old tax claims, as well as to limit the amount and rate of interest which they can collect on such claims.

Section 57 of the law has to do with the proof and allowance of claims. It is proposed that sub-division J be amended to read as follows:

"j. (1) Debts owing to the United States or any state or sub-division thereof as a penalty or forfeiture shall not be allowed except for the amount of the pecuniary loss sustained by the act, transaction or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby and such interest as may have accrued thereon according to law.

"(2) Interest on taxes legally due and owing by the bankrupt to the United States or any state or any sub-division thereof shall be allowed only to the date of the commencement of the proceeding and at a rate not exceeding 6% per annum."

Section 64 deals with debts which have priority. Section 64-2-(4) would be amended as follows:

"(4) Taxes which have become legally due and owing by the bankrupt within one year before the date of the commencement of the proceeding, with interest thereon not exceeding a rate of 6% per annum."

Incidentally, the House of Representatives recently voted to extend section 75 (c) of the Act to June 4, 1947. The Senate amendment provided that this section be extended to June 4, 1946. A subsequent conference on the disagreeing votes extended the time to March 31, 1947.

This section, it will be remembered, is the Section dealing with distressed farmers. Originally enacted as the Frazier-Lemke bill, it was absorbed by the Chandler Act as Section 75 thereof.

WILL INTEREST RATES INCREASE?

Supply and Demand Determine Rate Fluctuations

by **HURSHEL E. UNDERHILL**
Business Economist

FARM CREDIT ADMINISTRATION
Department of Agriculture

Under the pressure of abundant money, interest rates have been low in various areas of finance. This phenomenon is of basic importance as the cost of money influences all economic affairs and determines many of them. The best indicator of the trend of interest rates is the change in market prices of United States Treasury securities, especially those that are eligible for purchase by commercial banks. This movement is restrained, however, by the present policy of the U. S. Treasury to maintain with only minor variations its wartime money curve. The Treasury policy appears to be directed toward holding the line on interest rates.

Without question there is one compelling reason why the U. S. Treasury desires interest rates to remain low for a considerable period. It is estimated quite generally that the cost of servicing the public debt in the neighborhood of 2 percent means a tax burden of $6,000,000,000 annually and that every ½ percent rise in the interest rate would add $1½ billion to the tax bill.

Supply and Demand

Fluctuations in interest rates can be explained in the abstract terms of supply and demand for loanable funds. On the supply side are the savings of individuals and corporations and in some periods the expansion of bank credit made possible by gold imports, lowered reserve standards, or devaluation of the currency which frees gold for use as additional bank reserves.

On the demand side are not only the requirements of would-be borrowers, but such loans as are returned to the market by resales of parties who wish to recover the principal for purposes other than relending, and in periods of bank credit contraction, the funds recovered by banks seeking to improve their reserve position.

Yields on Government bonds indicate the general level of interest rates. On January 11, 1932, the yields of Treasury securities stood at 4.25 percent, the highest level of the preceding 8 years. Since that date, a more or less continuous decline in the yields of Treasury and other high-grade securities has occurred. The declining trend of yields, however, has been interrupted by five major upswings.

Market Movements

The first of these upswings was in March 1933 on the occasion of the bank holiday. Another upswing in yields of almost equal magnitude occurred during the period of monetary uncertainty at the end of 1933. A third upswing occurred in the summer of 1934 and appears to have been precipitated by the unsettlement in European conditions following the assassination of Chancellor Engelbert Dollfuss of Austria in July of that year. The yields of Treasury securities then continued to decline until March 1937 when a sharp rise in yields occurred immediately following the announcement of the second increase in member bank reserve requirements made in accordance with the discretionary powers given to the Board of Governors of the Federal Reserve System by the Banking Act of 1935. The fifth major upward movement of yields occurred at the time of the outbreak of war in September 1939, carrying yields up sharply from the then all-time low levels of June 1939. Since September 1939, however, the trend of declining yields has continued. As a result of the declining trends in yields, the Treasury has thus far been able to issue securities with lower coupon rates.

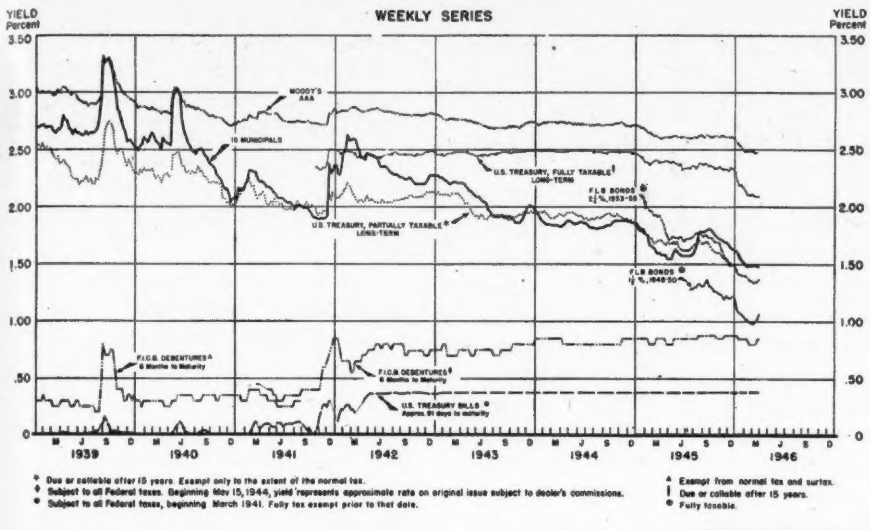
While the yield of all classes of United States Government obligations have been decreasing, there has also been a decline of short-term yields relative to long-term yields. An important influence contributing to the present low level of short-term yields, as compared with the yields of longer maturities, is the demand for short maturities which has existed during the greater part of the period since 1932, coming mainly from the banks.

Appraisal

Since 1934, the Federal Reserve System and the Treasury attempted to stimulate and maintain economic recovery by a policy of low money rates. In this respect they have been partially successful. Rates for short-term money in the open market are low and rates on high-grade Government and corporate bonds are low. Rates charged on loans by commercial banks and other interest rates also have been reduced. In their efforts to lower money rates, the Reserve authorities and the Treasury have been aided by Government agencies set up to reduce interest rates in specific fields.

In the years since 1922, the open-market operations of the Federal Reserve System superseded the rediscount rate and have continued as a leading instrument of money market

AVERAGE YIELDS ON CORPORATE, MUNICIPAL, U.S. TREASURY, AND CONSOLIDATED FARM LOAN BONDS, FEDERAL INTERMEDIATE CREDIT BANK DEBENTURES, AND U.S. TREASURY BILLS



control. The large measure of attention given to open-market operations is a reflection of the disappointing experience with rediscount rate policy. In theory, open-market purchases of Government securities increase the price of such paper and lower their yield so that it becomes profitable for holders to sell them. Open-market sales by the Federal Reserve System tend to lower bond prices, increasing their market yield and making them profitable investments for member banks and for the public generally.

Open-market operations after 1922 exercised an influence and have been regarded by many observers as the basic device for money-market control.

Bank Inconsistencies

During the early years of open-market operations, however, each reserve bank used its own discretion (subject to Board rules) in making purchases or sales in the open market. It was soon apparent that the operations undertaken by individual Federal Reserve banks might be at cross purposes and that uniform action was desirable. In 1922, therefore, an open-market committee was created composed of the governors of the Boston, New York, Philadelphia, Cleveland, and Chicago Federal Reserve Banks.

The Banking Act of 1935 (Section 12a) provided much greater centralization, effective March 1, 1936. Instead of a Reserve Board and a committee of bank representatives, it established a single committee composed of the 7 members of the Board of Governors of the System and 5 representatives elected annually by the directors of the Reserve banks grouped in 5 regions. Also, the Banking Act of 1935 permitted the reserve banks to buy any direct or fully guaranteed (as to both principal and interest) obligations of the United States, irrespective of their maturity, but restricted such transactions to the open market and forbade their acquisition directly from the Treasury.

Summary of Legislation

A summary of legislation during World War II[1] by Congress and steps taken by the United States Treasury and other Governmental agencies to further define the relationship of the commercial banks to Government financing and to assure the smooth working of the money market is as follows, seriatim:

1. Congress amended the Federal Reserve Act by Public Law 656, approved July 7, 1942, to permit the Board of Governors of the Federal Reserve System to change the reserve requirements for member banks in central reserve cities, reserve cities, and elsewhere, independently of changes in reserve requirements for banks in the reserve classifications other than the one affected by the particular regulation. Such changes are limited to the maximum and minimum reserve requirements for each class of bank as already defined in the Federal Reserve Act. The same amendment eliminated the provision hitherto contained in the act that no member bank should make a new loan or pay a dividend while its reserves were deficient. Under this amendment, the Board of Governors ordered three successive reductions of 2 percent each in the reserve requirements applicable to banks in central reserve cities, effective August 20, September 14, and October 3, 1942, thus reducing those reserve requirements to the level of existing requirements for banks in reserve cities. According to Federal Reserve estimates this action resulted in the aggregate release of approximately $1.2 billions of member bank reserves at the times when reserve requirements were reduced.

2. On August 7, 1942, the Federal Open Market Committee supplemented its directive of April 30, 1942, to the Federal Reserve Banks that they should purchase all Treasury bills offered to them at a discount rate of ⅜ of 1 percent per annum by providing that any such purchases, if desired by the seller, should be made on the condition that the Federal Reserve Bank, upon request of the seller, would sell to him an equal amount of Treasury bills of the same series at the same rate of discount. In addition, during October, 1942, discount rates on advances by Federal Reserve Banks to member banks, secured by Government obligations maturing or callable within one year, were reduced by all Federal Reserve Banks to ½ of 1 percent.

3. The Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Executive Committee of the National Association of Supervisors of State Banks issued on November 23, 1942, a joint statement of policy. It was announced that banks would not be subject to criticism by examiners on account of investments in Government securities of any type except those made specifically ineligible for bank investment and that no deterrents would be placed in the way of such investments. It was also stated that banks would not be subject to criticism for availing themselves of the facilities of the Federal Reserve Banks to borrow or to sell Treasury bills for the purpose of restoring their reserve positions. The statement, moreover,

[1] Annual Report of the Secretary of the Treasury, 1943, pp. 78, 79, and 80.

declared that examining authorities would have no objection to loans by banks to investors to enable the borrowers to purchase Government securities in anticipation of income, provided such loans were on a short-term or amortized basis and were fully repaid within 6 months.

4. By an act approved April 13, 1943, United States Government deposits arising out of the purchase of Government securities by or through commercial banks (commonly known as war deposits) were excluded from the definition of deposits for the purpose of determining the assessment basis for deposit insurance until 6 months after the termination of the war and, for the same period of time, the reserve requirement against such war loan deposits was suspended. This legislation tends to ease the strain on bank reserves incident to the transfer of funds on account of subscriptions to Government securities and otherwise to facilitate such subscriptions. The effect upon bank reserves of the initial payment for securities purchased through war loan account is, in the case of a bank's own subscription, an increase of deposits unaccompanied by an increase in the amount of reserve required, and in the case of a subscription entered for a customer, a transfer of a deposit from an account requiring a reserve to one against which no reserve is required and thus increases excess reserves. Excess reserves are reduced only gradually as the proceeds of the loan are spent by the Government and returned to the banks as private deposits.

5. On May 6, 1943, the Treasury Department announced that beginning with the offering of Treasury bills to be dated May 12, in addition to the customary competitive tenders, tenders in an amount not exceeding $100,000 from any one subscriber would be received on a fixed price basis and allotted in full. The purpose of this change in procedure was to increase the attractiveness of short-term Treasury securities to investors, particularly the smaller commercial banks not acquainted with the competitive tender technique.

With the development of spreads between prices of Government securities that commercial banks are permitted to buy now and those which can be purchased only after an extended period, there have come into being three separate and distinct markets for Treasury bonds: (1) partially tax exempt and eligible for bank investment, (2) fully taxable and eligible for bank investment, and (3) fully taxable but not now eligible for bank investment. Assuming that the mental behavior of the various classes of buyers and sellers of marketable Government securities remains normal, it is reasonable to conclude that the pendulum of money rates will continue to swing and should be expected to do so in an economy of free enterprise. When compared to World War I, the present powers of the monetary authorities are so great that, if exercised, they should be able to influence the magnitude of changes in money rates to any higher or lower level that the United States Treasury and the Federal Reserve considers desirable for the general welfare. And the Treasury and Federal Reserve authorities could always ask Congress for new legislation if present influences over credit supply and credit demand prove inadequate.

Paint & Allied Industries Scan Future Trends

In 1938, less than one-third of the dealers in the Metropolitan Market were paying their bills on a prompt to discount basis. During that same year, a little less than 2% of the dealers became insolvent and were compelled to discontinue.

At present 81.6% of the metropolitan dealers are paying their bills on a prompt to discount basis, according to a survey just compiled from the records of the Paint & Allied Industries Credit Association, Inc., in collaboration with the Credits & Collections Committee of the New York Paint, Varnish and Lacquer Association. According to the same survey, there has been just one failure during the past year. This lone insolvency originated over ten years ago, but the decision to liquidate was not made until 1945.

The progress on collections since 1938 is better illustrated by the following figures:

	1938	*1944*	*1945*
Prompt to Discount	28.4%	72.6%	81.6%
30 days slow	31.6%	16.4%	11.5%
60 days slow	17.7%	8.2%	6.7%
90 days slow or more	22.3%	2.8%	.2%
Number of failures	58	3	1

Limited supplies of raw material resulted in reduced production, so that dealers realized the necessity of discounting and paying their bills promptly in order to secure their share of the limited amount of merchandise available.

Necessity was the prime factor, and as long as finished products continue in short supply the necessity will continue to control the present sound conditions.

Dealers and manufacturers realize that sound credit means sound business for the mutual benefit and advancement of the industry at large. With continued vigilance and determination on the part of the dealers working in complete cooperation with their credit associations, the progress achieved during the past eight years can be maintained.

Chicago and New York to Present Resolutions to NACM

Two resolutions, emanating from the Chicago and New York Credit Men's Associations, are to be presented to the National Business Conference of the NACM at French Lick.

The Chicago resolution would place the NACM on record as opposed to any tax legislation which would permit aliens, residing in or engaged in business in this country, to be given any exemption to any type of taxes which apply to a citizen of the U. S. The resolution also calls for the elimination of any preference shown to aliens over citizens in payment of any federal, state or local taxes.

The New York Board of Directors recently adopted unanimously a resolution which also is to be placed before the National Business Meeting. This resolution calls for the increasing of salaries of Federal Judges.

Baltimore Looks Ahead To Fiftieth Year

Baltimore: Forty-nine years of growth were celebrated on May 28 by the Baltimore Association of Credit Men at the Annual Meeting, held in the Ballroom of the Lord Baltimore Hotel.

David Will, Analyst and Commentator for the American Broadcasting Company, was the guest speaker. The Association has made marked progress during its forty-nine years, and many new business associations and friendships have been forged.

BANKS AND RECONVERSION

Experience Has Evolved New Credit Methods

by VERYL B. PITTS

Vice-President
FOURTH NATIONAL BANK
Wichita

Our nation has experienced many periods of economic readjustment but none has been so complex nor so challenging as that in which we now find ourselves. These are important times —although the present problems of reconversion are certainly no surprise to us. It has been recognized that the adjustments from war to a peace economy would involve, among other things, a resetting of prices and wages, but we are deeply concerned with present trends and their future implications. The hope of this country and the world lies in an expanding economy, a rising standard of living, and the greater utilization and efficiency of manpower, materials, and the machinery of production and distribution. All of us have important parts in this scene and must play our roles well.

Banks Return to Normal

In common with other lines of business which have devoted their facilities, to a very large degree, to the successful prosecution of the war, the private banking system of this country has a reconversion problem. Not in the physical sense to be sure, but we are directing our attention and our efforts toward a speedy return to the normal function of commercial banking in financing agriculture, commerce, and industry, and the consumers of goods and services. It is recognized that the banking system of the country must continue for sometime to come to play a major role in treasury financing and the orderly amortization of the national debt through investment of a goodly portion of our deposit resources in government securities but there will be an ample fund of credit available to private enterprise to assist in maintaining the stability of our post war economy. We are prepared to provide credit for constructive purposes to all competent applicants and have publicly pledged ourselves to that policy, but at the same time it will be our responsibility and our purpose to discourage ill-advised ventures built on the shifting sands of inadequate management and equity capital. It will be our responsibility and our purpose also to forestall insofar as possible any wild wave of credit inflation which can be just as disastrous to society as monetary inflation.

Bankers Branch Out

We have a durable good to sell and are prepared to merchandise our product in various forms and proportions ranging from the handy pocket size to the large economy size. And of equal significance is the announced aim of bankers to make our services and functions more widely understood and more readily available than ever before. A segment of the banking profession, and I am happy to say it is now a small minority, in an effort to create and maintain public confidence has been prone to emphasize and publicize their conservatism. If, by conservatism, they mean a sincere effort to provide credit to worthy applicants after studied analysis of their ability to employ it advantageously and repay it as agreed, then most of the bankers I know are conservative and will remain so. But, if conservatism is used as an alibi for a lack of courage and "know-how" in providing the constructive credit requirements of industry and consumers, the term is a misnomer and a stigma on our profession.

Three Obligations

The private banking system, as it is conducted in this country, has a three-fold allegiance and obligation. First of all, bank management has an obligation to stockholders, most of whom have only an indirect voice in matters of policy and administration—to preserve their equity and to earn a fair and reasonable return upon their investment. The dollar must always be worthy of its hire and the return must be commensurate with the service performed and the risk involved. The present interest rate pattern, both with respect to government securities and prime credits, cannot decline to lower levels or continue long on the present basis without unfavorable consequences. Cheap money breeds speculation and inflation, which even now is abroad in the land.

Banks also have a definite obligation to their depositors, whose only voice in management arises indirectly through expressions of confidence or distrust in an institution—to preserve and safeguard funds deposited with us in trust which become our stock in trade. These two obligations—to stockholders and depositors—should be, and are, of paramount concern but we have another obligation which must not be taken lightly. Unless we are prepared through experience, ability, courage, and foresight to adequately provide the legitimate credit requirements of individuals and business concerns in our respective areas, we have failed in the performance of our rightful

function.

Banking and credit is not a glamorous topic—it definitely lacks the current interest of atomic energy but credit is a powerful force, and its misuse and improper control can create havoc as devastating to our economy as an atomic bomb. Credit administration is neither an art nor a science, although it has some of the attributes of both, nor is it a philanthropy or a gamble. There are certain premises upon which sound credit is based which are as true today as in the past and which will remain constant in the future.

Three Factors

All credit problems, in the final analysis, resolve into the consideration and relative evaluation of the Personal, the Financial, and the Economic factors involved. Each of these, in turn, embrace a number of constituent parts which must be weighed in determining the strength or the weakness of the Factor as a whole. Analysis of the Personal Factor involves an appraisal of all the conditions and circumstances bearing upon the character and ability of the human element in a credit risk. Character is the specific quality upon which the entire structure of business credit must rest and integrity is the keystone of character. Honesty is an intangible thing and unfortunately once we have determined its existence to our satisfaction we can never be sure that it will continue in the same degree over the life of a loan. Economic stresses and strains frequently result in a deterioration in character beyond the power of man to anticipate.

In the evaluation of the Personal Factor we insist that the applicant be of demonstrated ability through education, training, and experience. Ability in business management is evidenced by a record of profitable operations coupled with a growth in stature and talents in direct ratio to the growth of the business. Men are frequently big ducks in small puddles and very small ducks in big puddles. We look also for a degree of resourcefulness in our borrowing clients. Business success is frequently contingent upon management's ability to meet unexpected situations. Operations under the many restrictions of a war time economy have served to test the ability and resourcefulness of management and the conversion from war to civilian production will most certainly test the management of relatively new and as yet to be proven ventures.

Other Factors Weighty

A proven record of honesty and "know-how" transcends all other considerations but credit cannot be predicated upon the Personal Factor alone. There must also be an equity capital margin in support of an advance of funds. The extent and quality of that margin is determinable through analysis of financial data bearing upon the applicant's business affairs. The extent of such analysis is largely dependent upon the size or the complexity of the business and entails the determination, not only of present responsibility as shown in a current balance sheet, but of past trends in the particular concern as well as the industry as a whole. On the basis of these trends we must then attempt to forecast the favorable and unfavorable future possibilities of the business.

There are just three possible means of repaying a loan. You can borrow from Peter to pay Paul—you can sell an asset and liquidate the debt out of the proceeds—or you can repay it in a lump sum or in instalments out of income. A credit which is dependent on a refunding operation to effect payment is obviously a poor banking risk. A credit which is dependent upon the sale of an asset for payment is a desirable risk only when the asset is being sold and converted into cash in the regular course of business or as a part of the loan transaction. Thus—personal and commercial credit is predicated very largely on income and profits.

Economic Phase

Stability of income and profits is contingent upon a wide variety of factors at play in our economy. The degree to which these forces can be predicted and evaluated, we call the Economic phase of credit analysis. The problem is a large one and the elements are many. Cyclonic trends, prices, labor conditions, marketing problems, raw materials, competition—these are but a few of the possible outside factors which can influence the operations of our customers.

If the Personal, Financial and Economic Factors are deemed to be wholly good, we have a prime credit risk. If they are wholly bad, we have no alternative but to decline the loan. In between are many degrees of acceptability, contingent on a pledge of performance. Our experience has evolved the development of new techniques in lending money against various types of security—accounts receivable, inventory, plant and equipment. We are firmly convinced that this ingenuity and "know-how" upon the part of Commercial Bankers will enable us to place our resources at the disposal of every worthy applicant for credit whose proposition is economically sound and of good purpose.

We have implicit faith in private enterprise, and through it, we have faith in our respective communities and the country as a whole.

Davis Urges Greater Interest in Laws

New York: Today's business men must awaken to the fact that the program and activities of State Legislatures have a profound effect upon the conduct of business, Mortimer J. Davis, of the New York CMA, stated recently at a Conference of Apparel Credit Men.

Business men, he said, are prone to complain about laws which hinder their operations or add to costs and yet they do little or nothing about it. While labor, social, farm and other groups are strongly represented at state capitols, business representation is relatively weak. It is high time, he concluded, that business organizations realized that they must prepare a legislative course that would be beneficial to all.

Questionnaire Asks Information on Credit Department Problems

New York: Intent upon learning the methods used by various companies in handling office personnel problems, incentive plans and so forth, the Systems Committee of the New York Credit Men's Association, headed by H. R. Gruber of the Upjohn Company, recently sent a questionnaire to about 50 selected members asking that they supply data concerning the manner in which they handled such troublesome matters as lateness, absenteeism, incentive plans, merit awards for suggestions, etc. Responses indicated wide interest and are being collated for suggested presentation to other Association members.

STOP! LOOK! LISTEN!

Concrete Steps For Successful Prosecutions

by WILLIAM FRASER
PAST PRESIDENT, NACM
Treasurer
J. P. STEVENS & CO., INC.
New York

During the war years bad debt losses in practically every trade and industry have been reduced to a minimum and, in many instances, no losses of such nature have been sustained for several years. This very fact makes most important the realization that the present situation as to bad debts is, to say the least, very unusual. All the more reason to Take Heed! to Stop! to Look! and to Listen! for eternal vigilance is the price of sound receivables!

J. Edgar Hoover, Director of the Federal Bureau of Investigation, has recently been quoted in part as saying, "After every great war or period of acute National emergency, there has been a recession of moral fortitude. This one will be no exception. I hope that the racketeers, the overlords, the desperadoes and the criminal scum who characterized the Roaring 20's will not come back to the American scene. I fear, however, that this is wishful thinking. Once they get a start and find they can succeed, we shall face very serious trouble."

Proof Essential

In plain words, we should not be lulled into a sense of false security insofar as the renewal of the activities of the commercial racketeer is concerned, for "all commerce is imperiled when the credit crook goes free."

In order to successfully prosecute violations of the National Bankruptcy Act, there must be developed proof that the law has been violated.

Now it must not be understood that I expect a flood of insolvencies either crooked or otherwise in the near future, because that is furthest from my present thought. But, we are all inclined to get soft through lack of exercise and who can stand up and say with a straight face that checking credits has been a back-breaking job during the past few years? It is so easy to be careless and to neglect the things that we should so carefully note.

Because this is so, credit men of years of experience, as well as the new crew of younger men, will do well to refresh their memories on what is essential to protect themselves in the unfortunate instance of being stuck in a crooked bust. I will attempt to set forth the bare essentials. They should be filled in and amplified by consultation with the Fraud Prevention Department.

Prosecution Essentials

1. Financial statement showing assets and liabilities signed by a credit seeker.
2. Statement must be dated when signed.
3. Statement must show effective date of balance sheet.
4. Statement must be signed by one known to be owner if single proprietorship, by partner if partnership, by authorized officer if corporation.
5. Statement should be mailed by debtor to creditor, as it is essential that postmark appear on envelope.
6. Statement, when received, either direct from customer or from credit reporting agencies, should be initialed and dated by person receiving it.
7. If statement was enclosed in envelope, the envelope should also be initialed and dated by person receiving it. Envelope then should be firmly affixed to statement. If folding envelope form is used, one marking for identification only is necessary.
8. Statement should never be accepted with amounts shown in round figures, as same are viewed by prosecuting authorities as merely an estimate of condition and not an alleged true reflection of financial net worth.

If you are a subscriber to the Fraud Prevention Department and have a case which you wish investigated, the following information should be supplied:

1. All financial statements received by you for a period of one year.
2. Statement of your account showing all open items due from debtor.
3. All correspondence with debtor for the past six months.
4. Reports from credit reporting agencies received during the year.
5. Letter from you indicating basis on which credit was extended. If, on strength of financial statement, the date of such statement.
6. If you have accepted a statement from the debtor which has been delivered to you in person, it should also be initialed and dated the same as received through the mails. This type of statement can not be used to sustain a prosecution through the Federal Courts but has been known to be effective in prosecutions in the State Courts.
7. All financial statements should set forth the residence address or addresses of the principal or principals of the single proprietorship, partnership or corporation.

(*Continued on page 39*)

EMPLOYEES' SALARY COMPENSATION

Tax Judges Show Greater Leniency In Recent Years

by VICTOR R. WOLDER

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SOME The right to make a deduction for reasonable compensation of an employee's salary is a matter of interest to virtually every corporation. There are few exceptions. The corporation income tax return form 1120 contains a special schedule for information on this subject. There is a schedule entitled "Compensation of Officers' Salaries." Under this listing it is necessary to give the name of each officer, the amount of the salary paid, the amount of the stockholdings of the officer in the corporation, and the amount of time he devotes to the business.

Salaries High During War

The reason for this schedule is to give the Treasury Department the opportunity to observe first hand whether a stockholder employee officer is endeavoring to syphon off some of the profits by calling it salary, when it is a dividend. During the war period just past the trend was to make salaries as high as possible in corporations which were in the excess profits tax brackets. Corporations were subjected to taxes running from 72% to 85½% when they were in the excess profits tax brackets. Individuals had to have income in excess of $38,000 before they were in the 72% bracket, and over $80,000 before their tax was in excess of 85½%.

In addition, for every dollar a man can take out of a corporation by the way of a deductible salary item, it avoids the double tax which would apply if the profit were taxed first at corporate rates and later taxed again at individual rates when the remaining profit is distributed as a dividend.

Under the 1945 Revenue Act which is effective beginning with January 1, 1946, the Treasury Department doesn't have the same problem as existed before. It turns the other way. The combined corporate taxes on corporations with incomes over $50,000 is 38%, and the average rate on corporations with less than $50,000 income runs down as low as 21%. An employee stockholder as an individual is taxed at the 21% rate when his income is over $4,000 and does not reach a 38% rate until his income is over $12,000. Unless he needs the money he will think twice before he pays out too much salary. Of course, he must realize that any profits which he leaves in the corporation cannot as a general rule be taken out of the corporation unless they are taxed as dividends to him—which means the double tax. Or if he allows profits to unreasonably accumulate in the corporation beyond its normal needs, the profits may become subject to the surtax on improper accumulation of earnings. There are many exceptions to these conditions. They are a subject to themselves and require special study and treatment. But they must be kept in mind. There is legislation pending in Congress which if enacted may eliminate this double tax. And furthermore, sometimes it is cheaper to pay the surtax on improper accumulation of earnings than pay out a larger salary. For example, the undistributed profits tax is 27½% on the first $100,000 and 38% on anything over $100,000. This, combined with effective corporate normal and surtax rates, means an overall tax of 65½% to 74%. An individual must have an income of $38,000 before he hits the 65½% bracket and over $60,000 before he reaches the 74% bracket.

Three Situations

There are three main salary situations which must be considered.

1st—Salaries to employees who have little or no stock ownership or control in the corporation.

2nd—Salaries to employees who own or control the controlling stock interests, but the balance of the stock is widely distributed.

3rd—Salaries to employees who own or control substantially all the controlling stock interests in a corporation. The corporation which we generally refer to as the closely held corporation.

We can eliminate from our consideration salaries paid to employees in the first group. It is extremely rare that the reasonableness of a salary is ever questioned where the employee has little or no stock ownership or control. The Commissioner of Internal Revenue and the Tax Court just won't interfere with management. They do not believe that the stockholders of the corporation who are the real parties in interest will allow their money and property to be unreasonably wasted or paid out.

Tax Court Satisfied

We do not have to give too much consideration to the second group where the minority stock interests are substantial. While the salaries paid in this instance come under greater scrutiny than the first, there are two outside factors which weigh heavily in favor of the taxpayer and the sustaining of the salary paid.

First, the other minority stockholders are considered a check on the majority interests. If there is any patent payment of excessive salaries, the minority interests may be expected to complain, not alone vocally and by corporate action, but also by appropriate minority stockholders' court action. Then, too, if the minority stockholders representing a substantial interest in the corporation give a vote of confidence to the management, give an express vote approving what they believe a reasonable salary should be for the corporation's chief employees, or if they fix in the first instance what the amount of salary should be to the employees, then the element of arm's length dealing has entered somewhat into the transaction. The Commissioner would have an unusually difficult time in upsetting the salary. The Tax Court would almost automatically uphold the salary.

Where, however, the controlling stockholder employee acts in apparent disregard to the interests of the minority stockholders or his salary is so patently out of line with any degree of reasonableness—then the reasonableness of the salary becomes a question of fact and is to be tested by substantially the same rules as would be applied to a salary paid an employee who owns substantially all of the stock of the corporation.

You will note that generally I use the word "employee" of a closely held corporation as distinguished from the word "officer." A controlling stockholder may be an employee without being an officer. That sometimes occurs, though not frequently. Thus, an employee is a large shareholder in a corporation but is not an officer—functions as a chief salesman on a form of commission basis instead of a straight salary, the item in the first instance need not be set forth on the Schedule of the income tax return referring to "compensation of officers."

The Third Group

That brings us to consideration of the third major group of salaried employees—those who control the closely held corporation. How does the Tax Court treat the subject? On this, I can speak not alone from actual experience before the Tax Court, and actual experience before the Treasury Department, but also from a study of virtually every case decided during the past five years by the Tax Court and its predecessor, the Board of Tax Appeals.

The Tax Court Judges are loath to interfere with the salaries paid by closely held corporations to its controlling shareholder employees. The Tax Court is vigilant, however, and from a review of many cases it seems that it will give the taxpayer the break if in equity it should. During the past year, the Tax Court Judges have taken a very realistic viewpoint Their decisions have been much more in favor of the taxpayer.

Judges More Lenient

Most of the decisions handed down during the past year concerned salary contests for the years 1940 and 1941. Perhaps the Tax Court Judges recognized that tax rates of individuals have gone up. The net increase to them is not in ratio with the amount of the gross increase. Perhaps the Tax Court realized that cost of living has gone up, and that there must have been some compensation for this. Perhaps the Tax Court Judges recognize that a man may have not compensated himself in the past to the extent that he should have, and was waiting for the day when profits were sufficiently large so that he could take some of the excess profits out of the business without hurting it. The Tax Court Judges are like us, mortal, who live in the same world as we—who are subject to the same economic conditions as we, who have paid increased taxes as we, who may have interests in private corporations themselves. But not one word to this effect is noted in the decisions. Yet the Tax Court Judges have been more liberal in their allowances than in prior tax years.

In decisions by the United States Tax Court covering 26 tax year disputes, the Tax Court upheld the Taxpayer entirely in 20 cases, the Commissioner entirely in 3 cases, and the Commissioner partly in 3 cases.

The Commissioner had sought to disallow salaries from 4% of the amount claimed to as much as 86%. The average amount by which the Commissioner sought to disallow the salaries was 40%. You can therefore get the real significance of how badly the Commissioner was beaten in the Tax Court—on the average. This is quite a trend from a few years ago when the scales balanced in the Commissioner's favor.

From the trend of decisions at the present time you can be sure of one thing. If you have a good case, don't be afraid to fight it through. The Tax Court will back you up.

No Appeal

Almost always the salary question is one of fact. Sometimes it resolves itself into a question of law. Once the Tax Court decides the case, you cannot hope to expect that there will be any reversal on appeal—regardless of who is the appellant.

There is no one deciding factor in any case. In the group of 26 cases I referred to before, the Tax Court approved one (Stinson case) where salaries were 30% of gross sales in one year and 29 in another. That was the highest in ratio to gross sales. The next highest (Seng case) was 19.3% of gross sales. The third highest (Outlet case) was 8.7% of gross sales. The balance ranged from 2% to 7½% of gross sales. It is apparent there is no relationship between salaries and gross sales.

Salaries and Earnings

Likewise, there is no relationship between salaries and earnings before or after salaries are deducted. In the same group of cases, salaries ranged from a high of 77% of net profits before salaries to a low of 9%. In between they run something like this:

64% of the net before salaries
47% of the net before salaries
57% of the net before salaries
38% of the net before salaries
43% of the net before salaries
10% of the net before salaries
37% of the net before salaries
21% of the net before salaries
41% of the net before salaries
44% of the net before salaries
65% of the net before salaries

In the case of percentage of salary to net profits after salary deduction, the spread was just as much. In some cases a loss was shown. There is one very interesting case on this point. In *Baldwin Bros. Co.* (July,

1945—CCH Dec. 14, 698(M)) the employees whose salaries were disputed owned little or no stock. They represented the management. It developed that over a period of years, the corporation showed a net loss each year after salary. The corporation did not pay out the salary each year, but merely accrued it. Then, every so often, after a period of years the employees would release the corporation of its obligation to pay part of the salaries of the earlier year. In 1941 the corporation accrued on its books $88,200 as salaries for the employees during the 1941 tax year. A net loss was shown of $45,000 after salaries. During the taxable year, the corporation only paid out $13,200 of the $88,-200 to its officers. At the same time, the officers cancelled $68,000 of past due salary which had accrued in prior years. The Commissioner contended that since so much of the prior salary accruals were cancelled and not more than the $13,200 was actually paid or might reasonably be expected to be paid, only $13,200 of the $88,200 was a reasonable deduction for salaries. As matters turned out, the Tax Court found a midway point in its decision and allowed $45,000 to be deducted.

When you read the Baldwin Bros. decision you can understand why the Commissioner does find concern in the salary question—sometimes.

Significant Quotations

Let me show you a few significant quotations and give you some data from a few cases.

In *N. A. Woodworth Co.* (*April, 1945—CCH Dec. 14, 523M*) a salary was upheld which was predicated on a fixed basic salary, plus a percentage of operating profits, plus a percentage of net sales. His salary of $34,000 was upheld for 1940—and $100,000 out of $143,000 for 11 months of 1941. The Commissioner had sought to reduce the 1940 salary to $25,000 and the 1941 salary to $33,000.

"Woodworth in 1937, for services in general similar to those here involved and for a company in which his stockholdings were exceedingly small, received about $87,000 and others drawing salaries in high figures performed services similar to those also performed by Woodworth for the petitioner. It is clear that his special training and abilities contributed very largely indeed to the success and remarkable growth of petitioner from a small business to one of great proportions. The record is convincing that he was the motivating factor in the company, its success or failure dependent on him. Though we do not consider that he should be given as much credit for getting customers or business as petitioner contends, nevertheless business came to the corporation and was efficiently handled because of him."

In *M. J. Corby Co., April, 1945—CCH Dec. 14, 535(m)* the Tax Court upheld a salary of $50,000 for 1941, being an increase from $17,-500 the year before.

In *Elbert Steel Corporation* (*May, 1945—CCH Dec. 14, 576*) the Tax Court upheld a $46,000 salary to an officer. The salary represented all the profits. The Court said the salary was reasonable. He pulled the corporation out of the red —and the basis on which the corporation employed him was that he was to receive all the profits.

In *Despatch Oven Company* (*June, 1945—CCH Dec. 14, 648M*) the Court said:

"Petitioner's business is very unusual. The capital investment is small. The facts show that it is built around, and its success unquestionably is attributable to the unusual abilities of these two officers. Respondent (the Commissioner) . . . disallowed a portion of each of their salaries by reason of the fact that the increase for 1940 was very large as compared to salaries paid them for the two preceding years. This, however, has been explained by the proof of conditions existing in those years. Thus, it was established that the low salaries then paid were due, not to a lessening in the services they rendered, but to the inability of petitioner because of depressed business conditions to pay more."

In *Charles Schwartz & Co.* (*Aug., 1945—CCH Dec. 14, 737M*) the Tax Court took into consideration that "Petitioner's business was the only business of its kind in the country" and that the Directors voted the salaries at the beginning of the year before the year's earnings were or could be known.

In *North Carolina Equipment Co.* (*June, 1945—CCH Dec. 14, 603M*) an increase of compensation from $17,000 in 1938 to $102,000 in 1941 to taxpayer's chief officer who owned the controlling stock interest was upheld. There the compensation was based on an agreement which was in effect for several years. It had been reasonable when made. That was the test. The question the court decided was not that the compensation was reasonable but that the agreement under which the compensation was paid was reasonable when made.

Other Factors

There are many other factors the Tax Court has taken into consideration. In my article entitled "Facts and Figures" published in "Taxes," February, 1946, issue is a "check list" of 100 items the Court has considered as being pertinent to the subject.

Before closing, let me say one point in favor of the Commissioner. Whenever a large salary is paid, the Commissioner has the right to ask the question, "Is it reasonable?" If the salary represents an increase over the previous year, the Commissioner can ask "Why?" The taxpayer has the burden to show the facts. All too often a taxpayer who has a good case doesn't take the time to get together all of the facts and all of the evidence and submit it to the Treasury Department. The result is the case passes by the agent, the conferee, the Technical Staff and finally reaches the Tax Court. There for the first time the taxpayer gets busy. There's no more time for fooling. That's why some cases have to be tried by the Tax Court which never should have gotten there in the first place—and through no fault of the Commissioner.

The Tax Court Decisions establish that a taxpayer need not fear an honest salary policy. It is better to decide on some good flexible formula which will work from year to year—in good times as well as bad—rather than to make an arbitrary adjustment each year. Formulate a policy predicated on % of sales or profits or both wherever possible. Formulate a policy predicated on the real facts.

THE OTHER FELLOW'S SHOES

Subordinates Must Have Proper Training

by A. R. SHERWOOD

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Uppermost in the minds of many credit executives—and executives of all professions, for that matter—is the proper training of their subordinates. The successful business leader, appreciating the vagaries of human construction, will stress the inculcation of professional principles in his assistants. Only the short-sighted "boss" will demand of his subordinates a slavish adherence to this time-tested (often, time-rotted) dictums. By dwelling on fundamentals, the senior will endow his juniors with techniques of a permanent nature—techniques which will insure the continuation of sound policies beyond those years when our present top-flight executives are no longer active participants in the field of business.

Businessmen Reluctant

To a large extent the training of our young men and women has been left to our colleges; businessmen have somewhat begrudgingly shouldered their share of the burden. The subject of business training cannot be "critiqued" in the few hundreds of words which comprise this article. We can, however, concentrate on one particular phase of training for those aspirants of one particular profession—the training of those young hopefuls who will some day sign their names over the title of "Credit Manager."

One of the most difficult tasks of any credit man—be he credit manager or assistant—is to adopt the customer's point of view. One of our frailties is to be constantly mouthing platitudes such as:

"Always put yourself in the customer's place."

"How would you feel if you were the customer in this situation?"

"Remember, the foundation of our business is its Goodwill." All of these clichés have been mumbled by old timers and many not-so-old timers—muttered without the slightest knowledge of putting them into practical usage, mainly because "putting yourself in the other fellow's place" presupposes a Jekyll-and-Hyde personality that is as rare as the possession of common sense itself. For the ordinary run-of-the mill executive assistant, it is much more practical if we subject him—during his formative years—to a brief dose of *being* in the other fellow's shoes. Specifically: "put your young credit men in charge of paying your company's bills."

Heresy!

At first glance this is a heretical suggestion fraught with inherent obstacles. Your first response is apt to be:

"Impossible!" or,

"Ridiculous!" or,

"I can't spare him, and the accounting department doesn't want him."

A moment's reflection will prove that these objections are not nearly so formidable as we may at first suppose. Let us temporarily assume that adoption of our suggestion will result in concrete benefit to your assistant and to you—detailed proof is submitted in the paragraphs that follow.

The mechanics of executing our proposal are simple ones, indeed. For in nearly every business one man—either as treasurer or controller—has common jurisdiction over the credit department and the accounting department. He should arrange for a *temporary* transfer of the credit assistant to the accounting department, emphasizing that the latter will be in the accounting department to *learn* what problems are attendant to receiving, auditing, and paying vendors' invoices. The work of the credit assistant may—under certain circumstances—be limited to part-time work in the accounting department, allowing the credit manager to retain the use of his services even during the period of apprenticeship.

Trainee Needs Responsibility

To derive the most experience from the minimum investment of his time, the "learner" should not be relegated to some minor clerical function in the long chain of operations performed by the Accounts Payable Section. Put the credit assistant on a level of responsibility where he can, under competent supervision, actually experience the problems of bill paying. See that he rubs shoulders with the purchasing department and fully understands the complications which arise from:

(a) Failure to approve bills promptly after they are received.

(b) Delays occasioned by vendors who accumulate bills for mailing.

(c) The checking of material.

(d) Rejected, short, or broken items.

(e) Errors in pricing or extension.

(f) Clearing of bills dated near the close of the month where terms are 10th proximo.

(g) Uncooperative vendors who

fail to render statements, or who are consistently inaccurate in their accounts.

Experience Breeds Perception

Two to three months of day-in, day-out living with these situations should make certain features apparent to our credit assistant:

(a) Delays that arise from failure to pay promptly are not necessarily the result of lack of ready cash. They may come from errors on the part of the seller, the transporting carrier, or faulty material and accounting control by the customer.

(b) Larger organizations are, on the average, better equipped to clear bills faster than smaller, less elaborately established concerns.

Some credit executives have advanced the argument that training such as been suggested will "take the edge off" a keen assistant. To an extremely limited extent this is a true statement, but experience has proved that too many embryo credit managers are unduly incisive—possessors of a natural keeness which is bred not of vision but of inexperience. It is better to have a less impetuous subordinate who possesses a background of those problems which are common to all your customers, than to have one who knows little of such problems. Even if over the years he only remembers "I had one helluva time when *I* was paying the bills—guess the customers are having their troubles, too"—if only that one small idea germinates throughout a lifetime devoted to contact with our customers, the result will be a more practical, accurate appraisal of the consumers many problems.

Your assistant will be equipped to really "put himself in the other fellow's shoes" and will be trained to exercise sounder judgment when handling credit problems. Certainly the Credit Department will run more smoothly and our allies—the Sales Department—will be pleased to know that customer-feelings have been raised to a high place in our credit structure.

In summary, we may say that our suggestion possesses values which will accrue to the entire organization and will justify the expenditure of time required to put our plan into effect.

REDUCE BAD DEBT LOSSES

Adjustment Bureaus Produce Sales and Save Outlets

by F. J. HOGG
Credit Manager
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Your Association can serve you in many ways besides supplying ledger experience through Interchange reports and making collections. It can do Rehabilitations, handle Bulk Sales Law Violations, fire losses, temporary operation for strategic timing in liquidating, investigate composition settlements, handle assignments for the benefit of creditors, and act as receiver and trustee in bankruptcy. It can also investigate commercial frauds. I recall much constructive work done by our local Association through its adjustment department.

In a shipbuilding center, a merchant was doing in excess of $125,000 sales in small wares. He suddenly stopped discounting. Investigation brought out that he had withdrawn practically all working capital for a period of 60 days and had made outside investments with it which had not proved profitable.

New Manager Needed

It was easy to determine that if the finances of the business were managed by someone else who would keep the books and pay all bills and countersign all checks, the business would earn enough within a year and a half to put it back on a discount basis.

The Association manager was employed by the owner of the store to manage these phases for him. All creditors were able to begin shipping immediately. Within a year and a half the business was in first-class condition, and was turned back to the owner, free of debt. All creditors were paid in full.

Through this constructive handling, the credit department was able to help the sales department in selling its normal amount of goods to this store.

A merchant conducting a successful business became involved in a situation which caused the people of the town to order him out of town. The credit manager of the main supplier suggested that what he needed was someone to act for him. A contract was drawn up between the Association manager and the owner of the store. The Association manager immediately took charge, running the store successfully until a buyer was found.

As a result of this, the man's investment was saved at a very nominal cost and the suppliers were able to continue to sell their goods through this outlet. All creditors were paid in full.

Two young men owned a profitable store. They were both drafted into the service during the war. During their absence, the wife of one of the men went on a spending spree. As payments slowed down, an investigation was made which brought out the condition.

Manager Operated Store

The father of one of the men, who had a power of attorney, realized the value of the Association's services, had the manager take charge and operate the store until a suitable buyer was found. This saved the men their investment and enabled the suppliers to continue to sell through that outlet. All creditors were paid in full.

Creditors were able to save a substantial amount where a customer became involved through excessive withdrawals by members of the family. The owner was persuaded to make an assignment to the Association manager with the understanding that the Association manager was to operate the business until it was sold to someone adequately financed. This time the store was sold to a properly financed merchant and all creditors were saved a substantial outlet for their goods.

Capital Tied Up

Because of crop failures, a merchant reached the spring season with practically all of his capital tied up in fall merchandise. The finances did not justify suppliers furnishing spring and summer goods, so an agreement was made with the Association manager that he would take charge of the business and that under his supervision it would be operated until fall. This enabled suppliers to supply spring and summer goods with an agreement of paying those bills ahead of others. In the fall season the store was closed out at retail. While this customer did not pay in full, he paid a substantial amount on the indebtedness.

I recall merchants who had followed the wrong method of operating, planning or buying, were assisted in getting their affairs in sound condition through the advice and supervision of the Association manager. These stores continued to operate and are now discounting their bills.

Helps Keep Outlets Open

One of the main functions of the Association is to help us in keeping outlets open so that sales can be made through these outlets and so that profits may be conserved when liquidations are necessary by making assignments to the Association.

Composition settlements, which were being handled in a way not cal-

culated to get best results for the creditors, became quite numerous a few years ago. Through the Association, the creditors in this particular market, who were members of the Association, agreed that they would accept no composition settlements until investigated and approved by the Association manager.

As a result of this action, composition settlements began to pay a greater percentage and eventually practically ceased because it was not profitable enough to offer them.

Where lease-liens would practically consume the merchant's equity in business and result in creditors getting little or nothing on their claims, the Association manager liquidated their stocks at retail through sales promotion. Creditors were able to get unusually good returns on their accounts.

The Association manager can also help you to a good advantage in bankruptcy proceedings, acting as receiver or as trustee. Here he works under the jurisdiction of the Federal court and follows the procedure of that court.

You can promote sales and conserve profits for your firm by using the adjustment department of your Association.

Super-Seniority for Veterans Is Banned by Supreme Court

Directive Number 190-A by the Selective Service Administration, which provided "super-seniority" for service men upon returning to their jobs was put in the discard by a 6 to 1 decision of the United States Supreme Court late in May.

The majority opinion summarizes the interpretation of the Selective Service act as follows:

"1. He (the veteran) has a stated period of time in which to apply for re-employment.

"2. He must be restored to his former position 'or to a position of like seniority, status and pay.'

"3. He shall be 'restored without loss of seniority' and shall not be discharged from such position without cause within one year after such restoration."

CREDIT FACTS FROM SALESMEN

Valuable Data Can Be Obtained From Their Reports

by WILLIAM J. SHULTZ

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A firm's salesmen have daily first-hand acquaintance with its customers. A natural query is, why should not these salesmen be a primary source of information for the firm's credit department? Why go to the expense of agency reports when a salesman can ask a customer all the questions that could be put by an agency reporter?

Limitations

Salesmen are generally strongly opposed to gathering credit information for the credit department of their firms. Often they are supported in this opposition by their sales managers.

Salesmen paid upon a commission basis feel that time spent collecting credit information about their customers is lost time to them—time which they might otherwise spend in visiting more customers, making more sales, and earning larger commissions. Moreover, they feel very strongly that asking the customer questions which will reveal his credit status may endanger their sales. They dare not ask such questions before closing the order, for thereby they would spoil the hypnotizing build-up of their sales talk. And even after the customer has put his name on the dotted line, the delicate balance of his assent could easily be shattered by a request for a financial statement, or a query as to how his payments are being made, so that in a fit of pique he might revoke the order on the spot.

Salesmen Often Unfitted

Beside their reluctance to obtain and report credit information, salesmen are generally unfitted by experience, temperament and interest to be good credit reporters. Good credit judgment requires a comprehensive understanding of business practices and finance that the ordinary salesman does not have occasion or opportunity to acquire. Also, most good salesmen are congenital optimists, who view the world, and especially their customers, through rosy glasses. This optimism and exuberant appreciation is one of the factors that enables them to override their customers' hesitation and persuade reluctant orders, but it tends to blind them to defects in the customers which may render the latter poor credit risks. Furthermore, what salesman who has won an order would want to report that the order should not be shipped because the customer is a poor risk? Of course he will exaggerate every favorable consideration that he observes and minimize every factor to the customer's discredit.

Possibilities

The above-noted limitations on utilizing salesmen as gatherers of credit information do not mean that they must be disregarded completely in this connection. But only certain types of credit information should be sought from them—information which cannot be obtained from other sources. Furthermore, the salesmen must be carefully conditioned, trained and controlled in the exercise of this function.

A salesman can request two specific items of credit information from new customers without endangering his sales. These are the name of the customer's bank, and the names and addresses of three or four references. Such inquiry is expected by most buyers when they give a first order, and the query arouses no resentment. Beyond this a salesman should not be asked to get any specific credit information from customers. But his eyes and ears can be productive of much valuable information about new customers for the credit manager. Before entering a prospect's store or plant, he can judge the advantages and disadvantages of its location from a merchandising viewpoint, he can note whether competing stores are close at hand, he can judge whether a storefront makes an effective display. Once upon the premises, in the course of the sales talk, he can evaluate the layout and display of the store, the efficiency or indifference of the business methods on evidence, the business personality of the customer himself, competing lines carried in stock, and finally, from other salesmen in the same or related fields, and sometimes from local sources, he can pick up stray comments and judgments that may throw revealing light upon a new account.

Credit Report Forms

To ask salesmen to report generally upon new customers would result in vague generalities of but little value to a credit manager. He must prepare a credit report blank providing for specific answers. Where the salesman's judgment is demanded, it should be expressed in some standard comparative form. Some salesmen's credit reports provide for three judgment categories—"excellent," "satisfactory," and "poor." Others provide for five

judgment categories — "excellent," "very good," "good," "poor," and "bad." A salesman's credit report form prepared upon these principles is shown in the accompanying illustration.

Salesmen generally need some prodding to be persuaded to fill out such forms fully for all new customers. To accomplish this, a credit manager should gain the cooperation of the sales manager. The sales manager should be consulted upon the preparation of the credit report form. Any pet idea of his as to what should be included or excluded in such a form, or as to its appearance, should be deferred to by the credit manager, provided such idea does not seriously impair the value of the form. The sales manager should then undertake to impress his salesmen with the importance of entering the information required by the report for all new orders. His must be the subsequent responsibility of maintaining the quality of the reports prepared by this force on this form. Grading and competitive rewarding of salesmen according to the credit quality of their accounts has proved an effective stimulant to careful preparation of these credit reports by a sales force.

Value Is Obvious

The value to a credit manager of the information contained in a salesman's report on a form of the type shown in the illustration is obvious. But care must be exercised in using it. The strictly factual data—the names of the bank, references, and other suppliers can be taken without qualification. But the salesmen's judgments must sometimes be taken with a grain of salt. If the credit manager has developed individual personal acquaintance with his firm's salesmen, he can judge which reports may be accepted as unbiased judgments, which must be discounted for the salesmen's ingrained optimism. If he has not been able to establish such close contact with the sales department personnel, the credit manager must accept all of the salesmen's judgment with a touch of scepticism. Where they are confirmed by an agency report, excellent. Where an agency report presents a less rosy picture than a salesman's report, the former should be given the greater credence. Ob-

viously, a salesman's report can never substitute for an agency report. But many credit managers whose departmental budgets do not permit them to draw an agency report for every new account have been forced to compromise in this matter. They establish an arbitrary order limit and credit limit for new accounts. So long as these limits are not exceeded, they base their judgments on the customer's commercial rating and on the salesman's report. If orders from an account exceed the limit so established, a more thorough credit analysis is made.

Primary Dependence

In certain lines of business—wholesale groceries may be taken as an example—a large proportion of the customers are small retail outlets from which neither the agencies nor the sellers can obtain adequate financial statement information, and about which the agency reports are inadequate and unsatisfactory. Credit managers in such lines must depend heavily upon credit information garnered by the salesman.

But the salesmen in these lines are generally able to transmit exceptionally valuable credit information. The full story of the success or failure of the little stores they visit is writ upon the very face of these establishments for their experienced eyes to read. Their visits are frequent—sometimes weekly, more frequently bi-weekly, at the very least monthly. They commonly act as collectors as well as salesmen, so that they are instantly aware of any tendency on the part of a customer to fall behind in his payments. And they often have an incentive to conservative credit judgment that salesmen in other lines lack; quite commonly, they must absorb a percentage of the bad debt losses on their accounts. Salesmen's credit report forms under such circumstances are likely to be much fuller than the one shown in the illustration. They include lines for the salesman's estimate of the value of the customer's stock, for whether the customer's premises are rented or owned, and for other financial information about the customer which the salesman can obtain by direct inquiry. These reports are submitted by salesmen not only on the occasion of first orders but in addition whenever the customer requests a higher credit limit or when any delay in his payments occur.

In these lines the functions of sales manager and credit manager are often combined in the single individual. Knowing his salesmen intimately, he can evaluate shrewdly the soundness of their credit reports. Experience has taught him that, in many if not most instances, these salesmen's reports are his most dependable form of credit information.

Example of Salesman's Credit Report Form

SALESMAN'S CREDIT REPORT

Date ....

Name of firm ....

Address ....

....

Type of store or business ....

Names of principals ....

Bank ....

References: 1. ....

2. ....

3. ....

4. ....

Brands carried: ....

....

....

Check:			
Location:	Excellent ☐	Satisfactory ☐	Poor ☐
Competition:	Excellent ☐	Satisfactory ☐	Poor ☐
Appearance of building:	Excellent ☐	Satisfactory ☐	Poor ☐
Window display:	Excellent ☐	Satisfactory ☐	Poor ☐
Interior of store:	Excellent ☐	Satisfactory ☐	Poor ☐
Choice of merchandise:	Excellent ☐	Satisfactory ☐	Poor ☐
Manager's sales personality:	Excellent ☐	Satisfactory ☐	Poor ☐
Character of employees:	Excellent ☐	Satisfactory ☐	Poor ☐

Remarks: ....

....

....

Signed ....

New York Institute Elects New Officers

New York: Thomas J. O'Brien, of the Electro Metallurgical Sales Corporation, was elected President of the New York Chapter, National Institute of Credit, at a meeting held April 30 at the Chapter's Headquarters. He succeeds Albert H. Walters, of Prentice-Hall, Inc. Sol Soloway, J. A. Deknatel and Son, was elected First Vice-President; Samuel A. Dawson, Meinhard, Greeff and Co., Inc.; William J. Jantzen, Bank of the Manhattan Company, and Edward Knaus, National Credit Office, Inc., Vice-Presidents; Thomas F. Goldrick, Federation Bank and Trust Co., Secretary, and James A. Stack, Jr., J. P. Maguire and Co., Treas.

John L. Wrege Will Head Louisville CMA

Louisville: John L. Wrege, of the Louisville Tin and Stove Company, was elected President of the Louisville Credit Men's Association at the Annual Meeting, held at the Association Building on May 23. Herman M. Kessler, Standard Printing Co., was elected Vice-President.

Following a brief business meeting, the members retired to the Patio for a buffet luncheon. Annual reports of the CMA were submitted.

Federal Payroll Remains High in Spite of Victory

In December, 1932, the Federal Government was employing a total of 563,805 persons, excluding War Department personnel overseas, for which no figures are available. In December, 1939, this figure had increased to 928,836, excluding War Department personnel overseas and employees of emergency relief projects. In August, 1945, the grand total had risen to 3,085,964, an increase over 1939 of over two million.

Commenting on these figures, Senator Harry Byrd (D., Va.), Chairman of the Joint Committee on Reduction of Non-essential Federal Expenditures, pointed out recently that reduction in employment in the Federal Government since V-J Day has been confined to individuals engaged in war production work. The old-line agencies, excluding the War and Navy Departments, have increased by 152,959, much of this increase being due to transfers from war agencies. A monthly breakdown of this increase discloses that the old-line agencies employed 28,677 more during September, 12,377 in October, 10,166 in November, 1,033 in December, 34,569 in January, 32,059 in February and 34,078 in March. Figures for months after March are not yet available.

Senator Byrd points out that it is evident that these increases are taking place under adjusted ceilings established by the Bureau of the Budget from a comparison of ceiling determinations for the months of July, August and September, 1945, with allowances for the months of October, November and December, 1945. The agencies were allowed a total of 1,810,567 employees in the United States, exclusive of approximately 900,000 wage board personnel for the first quarter of the current fiscal year which began before the war ended. Allowances for the second quarter, which began after the war ended, totaled 1,856,828, a net increase of 46,261 civilian jobs in the U. S. exclusive of the wage board employees. A reduction of 53,466 was prescribed for the War and Navy Departments, and the emergency war agencies were ordered to release 59,955 employees, but the old-line agencies were allowed an increase of 159,682.

"Although certainly some additional personnel are required over the 1939 total to deal with problems of the war's aftermath," says Senator Byrd, "surely the present figure can and must be reduced speedily."

With this aim in view the Joint Committee recommends:

1. A ceiling on civilian personnel, such ceiling to be graduated downward so that the maximum employed on June 30, 1947, would not exceed 1,650,000.
2. The rapid liquidation of war-emergency agencies, and re-organization of other executive agencies.
3. Fixed standards of personnel reporting.

Though the Federal payroll may be but a small portion of our annual expenditures, Senator Byrd concludes, its reduction would be an indication that a balanced budget is planned.

Uncle Sam's Payroll

Civilian employment of the executive branch of the Federal Government, by departments and agencies, for the months of December 1945 and January 1946, showing the increases and decreases of number of paid employees

Departments or Agencies	1946 February	1946 March	Increase	Decrease
Executive Office of the President				
Bureau of the Budget	757	775	18	
Executive Departments				
Agriculture Department	86,000	84,584		1,416
Commerce Department	31,955	32,989	1,034	
Interior Department	40,456	41,868	1,412	
Justice Department	25,015	24,694		321
Labor Department	34,081	34,336	255	
Post Office Department	462,150	469,621	7,471	
State Department	8,136	8,147	11	
Treasury Department	104,885	107,211	2,326	
National War Agencies				
Civilian Production Administration	2,443	2,516	73	
Committee on Fair Employment Practices	35	33		2
National Wage Stabilization Board	861	821		40
Office of Alien Property Custodian	598	631	33	
Office of Defense Transportation	145	131		14
Office of Economic Stabilization	0	25	25	
Office of Inter-American Affairs	395	396	1	
Office of Price Administration	31,911	31,969	58	
Office of Scientific Research and Development	791	749		42
Office of War Mobilization and Reconversion	649	1670	21	
Petroleum Administration for War	84	66		18
Selective Service System	15,739	15,328		411
War Shipping Administration	4,231	3,305		926
Independent Agencies				
American Battle Monuments Commission	1	1		
Civil Aeronautics Board	407	401		6
Civil Service Commission	4,576	4,330		246
Employees' Compensation Commission	522	525	3	
Export-Import Bank of Washington	93	96	3	
Federal Communications Commission	1,199	1.264	65	
Federal Deposit Insurance Corporation	1,217	1,208		9
Federal Power Commission	720	727	7	
Federal Security Agency	30,947	31,320	373	
Federal Trade Commission	492	492		
Federal Works Agency	21,902	22,205	303	
General Accounting Office	14,641	14,674	33	
Government Printing Office	7,322	7,307		15
Interstate Commerce Commission	2,167	2,188	21	
Maritime Commission	7,762	8,597	835	
National Advisory Committee for Aeronautics	5,476	5,383		93
ational Archives	358	353		5
National Capital Housing Authority	267	265		2
National Capital Park and Planning Com.	16	15		1
National Gallery of Art	280	279		1
National Housing Agency	14,678	14,929	251	
National Labor Relations Board	893	910	17	
National Med'ation Board	99	105	6	
Panama Canal	280	258		22
Railroad Retirement Board	1,914	1,964	50	
Reconstruction Finance	35,298	238,881	3,583	
Securities and Exchange Commission	1,216	1,209		7
Smithsonian Institution	416	423	7	
Tariff Commission	256	248		8
Tax Court of the Un'ted States	121	121		
Tennessee Valley Author'ty	11,529	11,670	141	
Veterans Administration	117,292	135,516	18,224	
Total, excluding War and Navy Departments	1,135,674	1,168,729	36,660	3,605
Net increase, excluding War and Navy Departments			33.055	
Navy Department	524,369	491,695		32,674
War Department	746,184	721,697		24,487
Total, including War and Navy Departments	2,406,227	2,382,121	36,660	60,766
Net decrease, includ'ng War and Navy Departments			24,106	

[1] Includes 481 employees of Surplus Property Administration transferred to War Assets Administration as of Mar. 26, 1946.

[2] Estimated. Includes 27,426 Reconstruction Finance Corporation employees transferred to War Assets Administration as of Mar. 26, 1946.

NIC Correspondence Courses Have Been Greatly Expanded

New York: The National Institute of Credit has continuously recognized, since its founding in 1924, that many persons with ability, ambition, and available leisure are desirous of obtaining adequate training in credit and finance, but are unable to do so because suitable educational opportunities do not exist in the communities in which they live and work. A limited educational offering, through correspondence study, has been made in the past to those who seek to further their vocational preparation and to broaden their educational background. The Institute is pleased to announce a greatly expanded program of courses available through correspondence study and made possible through a plan of cooperation with the University of Wisconsin's Extension Division. A total of 18 separate courses specifically related to Credit and Financial Management may now be taken through home study, and applied as credit toward the Associate and Fellow Awards. A booklet descriptive of this new program is now available upon request.

The same high quality of instruction and educational service prevails in all courses of this program as is maintained by the University of Wisconsin in its resident and other correspondence courses.

All inquiries and enrollments for this program must be made through the National Institute of Credit, One Park Avenue, New York 16, N. Y.

Chicago Yankees Commissioned In Georgia Militia

Governor Ellis Gibbs Arnall, of Georgia, was so pleased with the enthusiastic reception given him at the Golden Anniversary Dinner of the Chicago Association of Credit Men at the Hotel Sherman, Friday evening, April 26, that he has conferred commissions as Lieutenant Colonels (aides de camp) upon the following: C. W. Dittmar, Crane Co., President of the Association; A. L. Jones, Armour and Company, Chairman of the 50th Anniversary Committee; James S. Cox, Secretary-Manager of the Chicago Association of Credit Men, and Harold F. Hess, director of Public Relations of the Association.

Presentation of the commissions was made by R. L. Seaman, Star Novelty and Utilities, Inc., First Vice-President of the Association, at the meeting of the Board of Directors, Wednesday evening, May 22.

In addition to being chief executive of Georgia, Governor Arnall is Commander in Chief of the Army, Navy and Militia of the state.

Factors

(Continued from page 11)

has been out of the market during the war years, such as automobiles, radios, vacuum cleaners, refrigerators and electric appliances of all types will be in urgent demand until the pipeline of supply catches up with this backlog.

The replacement demand for these types of goods is much stronger than the accumulated shortage of textiles, with the possible exception of floor coverings, nylon stockings, two-way stretch girdles and a few other items. It is therefore likely that consumer spending for textiles will be shifted in a large measure to other products until their accumulated demand has been satisfied. Textile producers are apt to find themselves in a squeeze; that is, they will be in the middle of a generally active market for all kinds of merchandise with a high level of production and national income, but confronted with the keenest of competition from durable consumer's goods that have been off the market for a long time. These competitive influences can be overcome by competent management if prompt steps are taken to capitalize on some of the research that has been directed in recent years to the improvement of fabrics and processes.

Consumer Acceptance

Consumer acceptance can be created through well-planned advertising, by directing attention to the desirability and superior qualities of textile fabrics, through the treatment of crease-resisting, water-repelling, mildew-proofing and other specialized finishes, or by new manufacturing processes and new blends and combinations of fibres.

Capital requirements to provide for expansion in machinery to produce these improvements, to accomplish a high level of production through modern automatic high-speed machines bringing down manufacturing costs, will find the long-established factoring houses ready and willing to support capable and forward-looking management in a financing arrangement to accomplish these results. The factor's contributions in these fields of fabrication and new markets of distribution will be many and also very important. Over the past century factoring has justified its position as a financing agency by reason of its ability to adapt itself to changing business conditions. Any service which has contributed to the financial improvement of hundreds of textile mills and has succeeded in increasing its volume to the point where it is handling in excess of two billion dollars of sales each year, has proved its worth by demonstrating its ability to render at all times a service which is conducive to profitable operations at a cost commensurate with prevailing competition. Factoring is proud that it can claim this distinction.

Stop! Look! Listen!

(Continued from page 23)

8. It must be borne in mind that "Prosecution Essentials" should be carefully observed, because fraudulent intent must be proven in all cases and that the burden of proof is on the prosecution.

None of us wish to be represented among the creditors of crooked bankrupts. A word to the wise, therefore, should be sufficient.

STOP! LOOK! LISTEN!

Philippines Need Textiles, Says Manila Banker

Luis Lopez Obieta, Vice-President of the Bank of the Philippine Islands, was one of the principal speakers at the monthly Round Table Conference of the Foreign Credit Interchange Bureau, held in New York on May 9. In his talk Mr. Obietz stated that textiles and piece goods were now the most required articles in the Islands, since the previous lack of food has, to a great extent, been overcome and American exporters will find the Islands also one of the best markets for other sorts of goods.

Speaking on the same program, E. E. Schnellbacher, Chief of the Special Services and Intelligence Branch, Officer of World Trade Promotion, stated that it was now possible to delete some of the names from the list of firms or individuals with whom American firms were barred from doing business during the war.

Some concerns, however, have expressed a desire to be informed of the political characteristics of persons deleted, in order that they may avoid unwittingly becoming identified with elements which were in bad odor during the war, through their Axis connections.

Omaha Elects New Board of Directors

Omaha: The Annual Meeting of the Omaha Association of Credit Men was held May 16. Two hundred members and their friends attended the meeting and May party, arrangements for which were in the hands of the Credit Women's Group. The following officers and new directors were elected: President—S. J. Wirtz, Omaha National Bank; 1st Vice-President—Frank H. McCall, Fairmont Creamery Co.; 2nd Vice-President—John C. Conley, Wright and Wilhelmy Co.; also the following Directors: Carl M. Howard, Standard Oil Co.; Edwin N. Solomon, First National Bank; Lloyd Johnson, Graybar Electric Co.; Ernest R. Morgan, Armour and Co.; and Mrs. H. Ruth Jacobs, Korsmeyer Co., Lincoln.

Pittsburgh Passes Half-Century Mark

Pittsburgh: The Credit Association of Western Pennsylvania joined the ranks of the fifty-year-olds on May 21 with its annual banquet at the Hotel Schenley. Every effort was made to make the event in keeping with the occasion, and a full evening of entertainment for members, their ladies and friends was provided.

Earl Renner led the singing and Jack Walton's Orchestra provided the music. The speaker, Hon. A. S. Mike Monroney, addressed the meeting on "Congress—Where Is It Headed?"

Iowa Credit Men Wind Up Season with May Party

Des Moines: The May 21 meeting of the Central Iowa Association of Credit Men took the form of a May party.

All members, their wives and guests were invited, and a floor show was provided during dinner. Monsignor Liguitti, who developed the Granger Housing Project, was the speaker. The evening wound up with a bingo game.

NACM NEWS

About Credit Leaders **Association Activities**

NACM Passes 25,000 Mark In Year's Campaign

The membership drive, so ably sparked by E. L. Blaine, Jr., of Seattle, Membership Chairman, has come to successful fruition with the year's quota more than attained. Figures, as of April 30, showed a total membership of 25,030, 30 more than called for, and 2,671 more than at the same time last year.

Fifty-two of the one hundred twenty-two Associations attained or did better than their assigned quotas. Twelve more lacked but one member unit of attaining their quotas. The record of quota attainment by Divisions show that in the Central Division 32 Associations were completely successful, 14 in the Eastern Division and 6 in the Western Division.

Among the Class A Associations—those with a membership of more than 500—there was a close race between New York, Los Angeles and San Francisco. So close, indeed, was the race that not until the actual last moment was it possible to say just who had come out on top. Eventually it emerged that though New York had added more new members—426—San Francisco had attained a higher *percentage* of new members, with Los Angeles running almost neck and neck with them.

In Class B, Kansas City had a field day. First they had to gather in their national quota of new members. This they did. Then they set themselves a quota of their own. That was soon passed. Then they didn't know quite what to do, so they just went out and collected some more new members. When April 30 arrived they had a membership 120 bigger than the previous year, a percentage gain of 42.85. Rochester, too, was at Kansas City's heels all the way. By the end of the fiscal year they had 127 new members but since they started out with a few more than Kansas City their percentage gain was a little less.

The highest percentage gain of all was attained in the far off Territory of Hawaii. The Honolulu Association emerged from its wartime hibernation and increased its membership by 39. Since at the beginning of the fiscal year it had but 49 members, this means a percentage gain of practically 80%.

Lexington, the leader of Class D, also made a very substantial gain of over 40%. Lexington is a branch of Louisville, and its new members almost succeeded in raising Louisville to a position in the first three of Class A.

The leading Associations in the various classes, with the percentage gain achieved during the fiscal year follow:

Class A—Membership over 500	Percentage Gain
SAN FRANCISCO	16.64%
Los Angeles	16.02
New York	14.04
Class B—250 to 499	
KANSAS CITY	42.85
Rochester	41.63
Baltimore	22.22
Class C—175 to 249	
DENVER	31.57
Dallas	26.28
Omaha	17.14
Class D—100 to 174	
LEXINGTON	40.74
San Diego	28.48
Birmingham	26.27
Class E—40 to 99	
HONOLULU	79.59
Binghamton	40
Fort Worth	29.31
Class F—Under 40	
COLUMBUS	82.14
Peoria	51.35
Quincy	50

New York CMA Will Issue Credit Manual for Salesmen

New York: The Research and Survey Committee of the New York Credit Men's Association, through a special Sub-committee headed by A. H. King, of Lamont, Corliss & Company, has completed the outline of a credit manual for salesmen. Prepared by the Association staff under the direction of this Sub-committee, it will present a compilation of many similar manuals used by various companies throughout the country.

It will present broad suggestions around which individual companies may prepare their own manuals. Of course, the Committee realizes that no one such manual would fit the needs of every company. After some further editing, it will be printed into permanent form and distributed to members of the Association.

F. J. O'Connor, of H. A. Caesar & Co., Vice-President of the Association, is Chairman of the Research and Survey Committee. The manual will be available sometime this month.

NACM Business to Feature Meeting at French Lick

As the June edition of the magazine went to press, final arrangements are being completed for the annual business meeting of the National Association of Credit Men at French Lick Springs Hotel on June 24th and 25th. At this time it seems quite sure that all of the room space allotted to our business meeting will be filled. While this is one of the most unusual business meetings ever held by the Association, the attendance being limited on account of hotel accommodations, the reports from various sections of the country indicate that by 1947 a normal business meeting and convention lasting three or four days will be possible.

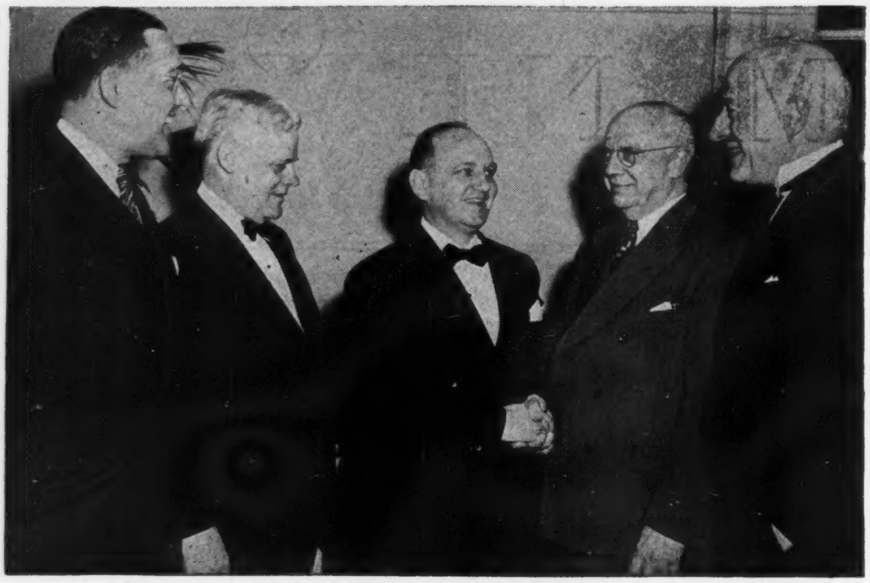
The meeting will open on Monday afternoon, June 24, with a program of purely Association business items. The usual announcement of committees will be followed by the report of the Executive Manager. G. C. Klippel, of Indianapolis, Chairman of the Board of Governors of Credit Interchange, will present a report on the operations of this service feature of NACM with a complete coverage on how the new plan, which was put in operation at the start of the present calendar year, is now working out.

Dr. Carl D. Smith, Director of Education NACM, will present a report on a revised program for the National Institute of Credit. In this report Dr. Smith will show how the new program, it is hoped, will provide better educational facilities and better training for future credit executives.

Paul W. Miller, as Chairman of the Committee on the Credit Research Foundation, will present the report of his Committee and discuss the general plans as so far considered.

The afternoon session will be completed by 4:30 in time to enable those in attendonce at the business meeting to prepare for the banquet at 6:30, which will be the only entertainment feature at the French Lick meeting.

The business meeting will be continued on Tuesday morning, the first item on the program being a report by Edward L. Blaine, Jr., of Seattle, as Chairman of the Membership Committee and the award of trophies to the Associations winning first place in each classification.



The Above Group Picture Was Taken at the Fiftieth Anniversary Dinner of the Chicago Association of Credit Men. It Shows Left to Right: Robert L. Simpson, National President, NACM; C. S. Young, President of the Federal Reserve Bank of Chicago; Governor Ellis Gibbs Arnall of Georgia; George H. Nippert, Procter and Gamble Distributing Company and Former President of the Chicago Association; and James B. Forgan, Jr., Vice-Chairman of the First National Bank of Chicago.

At its last meeting, the National Board of Directors authorized a series of prizes to the members of the local Association staffs for the best suggestions as to how to improve the NACM activities and services. These prizes will be awarded at the Tuesday morning session.

Miss Lillian Guth, of New York City, National Chairman of the Credit Women's Executive Committee, will present a report on the activities of the credit women's groups during the past two years.

Robert L. Simpson, as retiring president, will then present a report of his administration. This will be followed by a report of the Resolutions Committee and also presentation of suggested names for National Directors and Officers by the National Nominations Committee. Election and installation will wind up the morning session so that delegates will be able to take trains for their homes during the afternoon and evening.

The local Association secretaries will start their Annual Conference on Tuesday afternoon and expect to continue through Wednesday.

At the noon luncheon of the first day's session, Herman Gastrell Seely, Financial Editor of the Chicago Daily News, spoke on "A Financial Editor's Observations." A discussion on industry credit problems was taken part in by J. F. Fashimpaur, The Oliver Corp., Cleveland; F. Earl Bonnell, Erie Steel Construction Company, Erie, Pa.; T. O. Liebscher, LeRoi Co., Milwaukee; Mark Leistickow, Harnischfeger Corp., Milwaukee, and A. J. Lichtiner, The Wellman Engineering Co., Cleveland.

On the second day S. M. Kerswill, R. G. LeTourneau, Inc., Peoria, spoke on "What to Look For in Financial Statements". M. C. Hesse, Vice President, Pearson International, Inc., spoke on, "Will American Manufacturers Miss the Boat?" Mr. Hesse has just returned from a trip of three and a half months visiting all the major markets in South America.

Construction Group Holds Annual Spring Meeting at Chicago

Chicago: The National Construction Machinery Credit Group held its annual spring conference at the La Salle Hotel, Chicago, May 22 and 23, with a large attendance.

Karl E. Kluge, Butler Bin Co., Waukesha, Wis., Chairman of the Group, presided at the sessions. James S. Cox, Secretary-Manager of the Chicago Association of Credit Men, was the secretary.

Philadelphia Mixes Pleasure with Business

Philadelphia: The Credit Men's Association of Eastern Pennsylvania held a golf tournament and good fellowship dinner on Tuesday, May 21, at the Torresdale-Frankford Country Club. Members were invited to bring guests and prizes were given. Also a Kicker's Handicap was held.

The following Thursday, at the May Luncheon Meeting, at the Bellevue-Stratford, H. Walter Graves, President of the Philadelphia Real Estate Board, and Chairman of the Housing Rent Industry Advisory Committee on OPA, spoke on Housing and Credit. Housing being one of the most vital problems from every standpoint today, the information he had to present was especially important to all credit executives.

200 Credit Men Attend Wisconsin-Michigan Conference

Manitowoc: Over 200 Credit Men from Wisconsin and Upper Michigan attended the 29th Annual Conference at Manitowoc on May 1. The Manitowoc-Two Rivers Credit Club was host for the gathering, which consisted of morning and afternoon sessions, followed by a dinner at the Lakeside Country Club.

At the morning session, Harry Slater, head of the securities department of the East Wisconsin Trustee Company, spoke on Inflation, and Leo Croy of Menasha, Vice-President of the Marathon Corporation, on "What Management Expects of the Credit Department."

Dean F. H. Elwell of the School of Commerce, University of Wisconsin, opened the afternoon session with a talk on "Your New School of Commerce and Its Relation to Credit." Ray Wille, of the First National Bank of Milwaukee, discussed financing small business and Math Lauer, sales manager of McKesson and Robbins, Inc., of Milwaukee, rounded out the afternoon with an address on "Sales and Credits."

Henry H. Heimann, Executive Manager of the NACM, speaking at the evening dinner, forecast an 18-month period of prosperity, provided that the labor-management situation becomes a little brighter. He also urged against hurried and hasty buying of goods, advocating a "go slow" policy.

St. Louis Credit Men Elect Gordon President

St. Louis: The Annual Meeting and Dinner Dance of the St. Louis Association of Credit Men was held on Saturday, May 18, in the Club Caprice of the Coronado Hotel. The business session was brief and consisted largely in election of officers for the coming year. Afterwards dancing continued till 1 a. m.

R. C. Gordon, Shell Oil Co., Inc., was elected President, and the First and Second Vice-Presidents elected were, respectively, William F. Schroer, Mississippi Valley Trust Co., and E. A. Luther, National Surety Corporation.

William W. Maish, Past National Director, Dies

Des Moines: The Des Moines Association of Credit Men is mourning the death of William W. Maish. An honored and valued member for many years, he was a past Director and President of the Association and was a Director of the NACM from 1922 to 1924.

He opened the doors of the Iowa-Des Moines National Bank when it was first organized. When they moved to their new building he was again asked to unlock the doors.

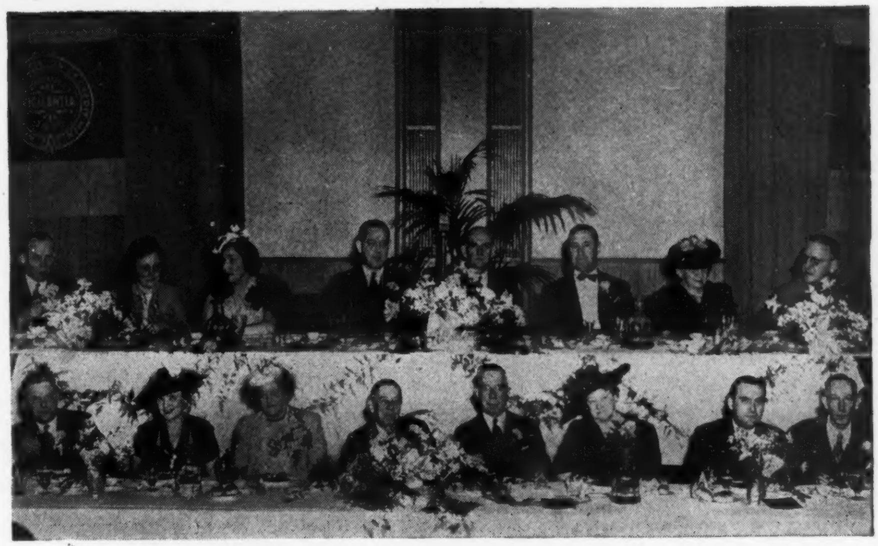
He was the personification of integrity, loyalty and friendship and will be greatly missed by all who knew him.

New Jersey Credit Executives Install Officers at Dinner

Newark: The New Jersey Association of Credit Executives held its Annual Business Meeting at the Hotel Robert Treat, May 21.

The business meeting came to order at 4:30, and the following officers were elected for the coming term: President—Henry Dolch, Lincoln National Bank; First Vice-President—Everett W. Price, Woburn Chemical Corp.; Second Vice-President—William O. Schilke, White Motor Company; Treasurer—John F. Berg, National Oil and Supply Co.; Board of Trustees (three year terms)—George E. Hallett, Tung Sol Lamp Works; Alfred Reed, First National Bank and Trust Co. of Kearny; Thomas Reilly, McKesson Liquor Co.; Elmer Wolf, Hajoca Corp, and Earl Tarbox, Pittsburgh Plate Glass Co.

Immediately following the business meeting there was an informal reception at the hotel for Henry H. Heimann and the retiring and newly-elected officers. After the reception, the Association held its 39th Annual Dinner, at which the new officers were installed.



The Speakers' Table at the Recent Fiftieth Anniversary Dinner of the New Orleans Credit Men's Association. Back Row, Left to Right: T. J. Adams, Vice-President, New Orleans Association; Mrs. T. J. Adams; Mrs. R. L. Simpson; Robert L. Simpson, National President, NACM; Henry H. Heimann, Executive Manager, NACM; Edward Pilsbury, Past National President, NACM; Mrs. J. H. Warner and J. Henry Warner, President, New Orleans Association of Credit Men.

Seattle Honors Senior Employee for Long and Faithful Service

Seattle: At a recent meeting of the Seattle Association of Credit Men, President Peterson paid tribute to Miss Grace Russell, the Association's senior employee in number of years of service. She started her business career thirty years ago in the Interchange Department and has been the Manager of that activity for many years. Under her direction the department has grown and expanded and today serves more members than at any time in the Association's history. The National Association and other Interchange Bureaus consider the Seattle bureau one of the most efficient in the entire NACM.

As a slight token of appreciation for her years of service, members, at the meeting on April 22, voted to award Miss Grace one of the $25 Victory Bonds in the "BAG-O-BONDS."

George W. Gordon Heads New Spokane Board

Spokane: The annual election of the Spokane Association of Credit Men was held Friday, April 26. George W. Gordon, Credit Manager, Blake, Moffitt and Towne, was elected President; Howard F. Lamb, Westinghouse Electric Supply Co., Vice-President; R. W. Gronemeier, Commercial Creamery Co., Secretary-Treasurer, and Victor E. Graff, B. G. Ewing Paper Co.; Robert G. Fulton, Motor Supply Co., and Chas. W. Adams, John W. Graham Co., Councillors.

Minneapolis Looks Forward To Another Fifty Strong Years

Minneapolis: May 26, 1946, was the fiftieth birthday of the Minneapolis Association of Credit Men, the first meeting having been held on May 26, 1898, in the Commercial Club Rooms on the call of E. J. Fisher and F. F. Towle. The first regular monthly meeting was held the next month in the Jobber's Rooms of the Jobbers' Association, Kasota Building, with 18 members present.

Since that time the Association has grown to its present stature, when it can claim 443 members, including 58 new ones, and although this figure is higher than the quota set for them in the recent membership drive, the Minneapolis Credit Men are by no means satisfied and intend to work just as hard during the coming year for the quota they have set themselves, which is at least 500.

Triple Cities ACM Hear Minchin; Form Groups

Binghamton: The Triple Cities Association of Credit Men met for their annual meeting at the Hotel Frederick, Endicott, on May 28. Howard W. Minchin, Vice-President and Credit Manager of the Requa Electrical Supply Co., of Rochester, addressed the meeting on Post-War Credit Problems.

The Triple Cities Association is in the process of forming various trade groups. At present Hardware, Wholesale Plumbing and Electrical Dealers' groups have been formed, and in the near future it is hoped that a Building Supply and Food group can be formed.

New York Times Writers Address Final CMA Forum

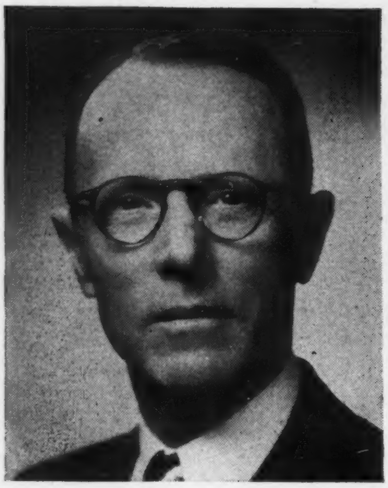
New York: An all New York Times program, consisting of addresses by Robert A. Smith, well-known foreign correspondent, and Charles F. Hughes, Business News Editor, was held at the Hotel Pennsylvania on June 6th under the auspices of the Association's Public Meetings Committee. The addresses were followed by a quiz period, during which those attending asked numerous interesting questions.

This was the final forum for the Committee's year and winds up one of the most successful series of public meetings ever held by the NYCMA.

Rochester Celebrates Past Presidents' Night

Rochester: Past Presidents' Night was held on May 8 at the Seneca Hotel. There are twenty-five past presidents of the Rochester ACM living; the oldest in point of service is Elmer Roblin, who was President during the year 1901-02. He is still actively interested in the Association and is now serving on a special Historical Committee with some other "old timers," and they are working out a program to be presented at the first meeting in the Fall, when the Association will celebrate its fiftieth anniversary.

Elected President at the meeting was Walter B. Sullivan, Lincoln Rochester Trust Co. Carl F. Hammond, Erskine-Healy, Inc., was elected First Vice-President, and Roy L. Guyer, Jackson and Perkins Co., Second Vice-President. Alan L. Wehrheim, Michael, Stern and Co., Inc., was elected Treasurer.



SAN FRANCISCO
Clyde H. Mann
Division Credit Manager
UNION OIL COMPANY

BALTIMORE
H. F. B. Kerr
Credit Executive
R. W. NORRIS & SONS

GRAND RAPIDS
Charles Longfield
Secretary-Treasurer
EVANS & RETTING LUMBER CO.

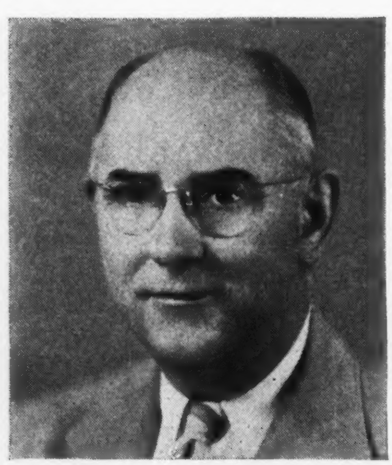
LITTLE ROCK
W. G. Sieber
Secretary
MEYER BROS. DRUG CO.

Association

If you pay as much attention to advertisements as you should, you will notice, on the inside back cover of this issue, an advertisement for the National Institute of Credit, headed "That Job You Say You Want—Are You Qualified For It?"

On these pages we are advertising Presidents, not the National Institute of Credit, but the moral is just as appropriate on these pages as it is on the inside back cover.

FORT WORTH
C. Ferd Fry
Assistant Cashier
FORT WORTH NATIONAL BANK



CHARLESTON
J. A. Greenlee
Treasurer
CAPITAL CITY SUPPLY CO.

AUSTIN
O. G. Hanseler
President
O. G. HANSELER CO.

BIRMINGHAM
Walter L. Knowlton
Credit Manager
McKESSON & ROBBINS, INC.
(Doster-Northington Division)

SPOKANE
A. B. Chase
Manager
W. P. FULLER & CO.

SALT LAKE CITY
L. J. Stevens
Division Credit Manager
GLOBE MILLS

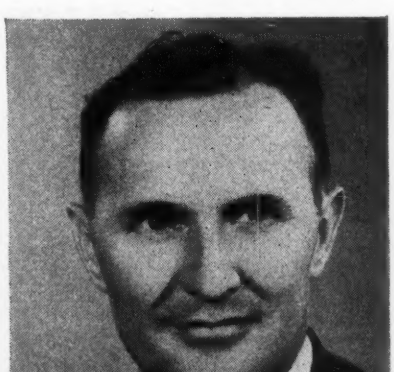
Presidents

The job should seek the man, not the man the job; but the job is going to seek only the man who is qualified *above all his colleagues,* the man of experience, integrity and good, hard sense.

Here you see another group of men whom the job has sought out, and who, through years of mental and moral growth, have become well qualified for their responsibilities.

MUSKEGON
J. R. Imonen
President
MOTOR SERVICE SUPPLY CO.

ROANOKE
H. W. Shepherd
Secretary and Treasurer
SHEPHERD'S AUTO SUPPLY, INC.



WACO
Charles W. Cayten
S. W. Division Credit Manager
GENERAL TIRE & RUBBER CO.

JACKSON
Edwin N. Paul
Credit Manager
CONSUMERS POWER CO.

Cincinnati Wants 500 Members When Golden Anniversary Arrives

Cincinnati: During the past fiscal year, under the leadership of Ralph G. Holste, the Cincinnati Association of Credit Men not only attained its quota for new members, but went above it.

Since 1935 the Association has grown from 181 to 440 members. During the past fiscal year 56 new members were enrolled but the best year was 1937-38 when the membership jumped from 192 to 264, a gain of 72 or 38%.

Now the goal is 500, and it is hoped that it will be attained by November, when the Cincinnati Association joins the steadily lengthening list of fifty-year olds. Mr. Holste has been re-elected Chairman of the Membership Committee.

P. M. Haight Leaves International GE After 43 Years

New York: Percy Mandeville Haight, Secretary of the International General Electric Co., recently announced his retirement, effective May 15. Several months ago he resigned as Treasurer. He was associated with the company for more than 43 years, over 30 of which were as Secretary-Treasurer.

Mr. Haight was elected President of the NACM in June, 1935, and previously was President of the New York Credit Men's Association in 1934-1935.

Mr. Haight presided as Chairman of the Foreign Credit Round Table of the NACM for many years, and was honored by that group in 1942, on completion of 40 years of continuous association with the International General Electric Co. He was elected Honorary Chairman of the Foreign Interchange Bureau's administrative committee in 1944.

New York Combines Board Meeting and Golf Tournament

New York: Because the regular monthly meeting date of the Board of Directors fell on the same date as the annual Golf Tournament of the Association, May 23, the Board of Directors of the NYCMA held their May meeting at the Crestmont Golf Club, West Orange, N. J., adjourning for luncheon and golf.

The various committees presented their reports in an unusual form. All reports were mimeographed and bound in a looseleaf folder, a copy of which was given to each member. In this way all committee reports become permanently available for reference in each member's files.

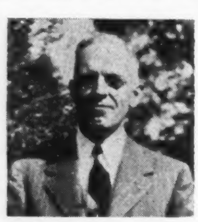
New York Credit Men Re-elect Entire Board of Officers

Earl N. Felio

New York: The entire official body of the New York Credit Men's Association has been re-elected for the coming year. The election was held at the Association offices on May 2.

Earl N. Felio, Colgate-Palmolive-Peet Co., was re-elected President; other officers are H. P. Reader, Cannon Mills, Inc., First Vice-President; L. D. Duncan, National Distillers Products Corp.; Fred J. O'Connor, H. A. Caesar & Co., and F. W. Zander, United States Plywood Corp., Vice-Presidents, and E. W. Moon, Jr., Otis Elevator Co., Treasurer.

Elected to the Board of Directors at the same meeting were: R. W. Anderson, Crane Co.; George W. Richardson, Loose-Wiles Biscuit Co.; Emanuel P. Lewis, James Talcott, Inc.; Frank E. VonBargen, Corn Products Sales Co.; L. H. deVries, McCampbell and Co.; and Benjamin P. Schoenfein, Public National Bank and Trust Co. David V. Austin, Siegbert Salinger, W. G. Willoschat and R. G. Woodbury were re-elected.



Incidentally, Mr. Anderson has been a member of the New York Association only since 1940. He started his career with the Crane Co. in St. Paul in 1920 as Assistant Credit Manager. In 1923 he was appointed Credit Manager of the Minneapolis branch, and was transferred to the Long Island City office in 1940. He was appointed a Director of the Minneapolis ACM in 1936, and served as President from 1939 to 1940.

Omaha: Wives, friends and business associates were welcomed at the annual Ladies' Night Dinner and Party, held on May 16 at the American Legion Club. A special program was arranged by the Credit Women's Group.

Portland Joins the Ranks of Fifty-Year Old Associations

Portland: On Tuesday evening, April 23, the Portland Association of Credit Men held its Annual Meeting and celebrated its fiftieth anniversary at the Columbia Meadows Country Club. Over two hundred members and guests were in attendance. The program committee was under the leadership of E. G. Leahy, of Northwestern Drug Co. After a social hour (and an excellent steak dinner), G. W. Hagenbach, Crane Co., newly-elected President of the Association, called the business meeting to order. He made a brief report following which the new trustees were elected.

Immediately thereafter the meeting was turned over to Mr. Leiht, who introduced the speaker of the evening, Mr. E. Don Ross, President of Irwin-Hodson Co., and Past President of the National Association. He gave a very comprehensive outline of the history and accomplishments of the National and Local Associations during the past fifty years.

Kansas City Loses Loyal Friend and Founder of ACM

Kansas City: Ritchey C. Hallar, one of the original founders of the Kansas City Association of Credit Men, died at the Trinity Lutheran Hospital on Friday, April 26. He was Credit Manager and assistant Vice-President of McKesson and Robbins, Inc. He began with the firm July 1, 1892, when it was known as Woodward, Faxon & Co.

He was, up to the time of his death, a loyal supporter of all local and National Association activities. One of his chief Association interests was membership. In the early days he would start out by street car from some outlying district of Kansas City and call on all prospects in that area or on a particular street.

Fort Wayne Re-elects Ziegler as President

Fort Wayne: Gustav Ziegler was re-elected President of the Fort Wayne Association of Credit Men at the annual Directors' meeting in the Transfer Building. Others elected were Russell G. Ayres, Vice-President, and E. H. Ernst, re-elected Treasurer. Joseph Fenker and Frank Blosser were elected to the Board and Elmer Parker, Ronald Reiter and Myron Dinius were re-named.

News of the Credit Women's Clubs

New Jersey: At the last meeting of the New Jersey Credit Women's Club, the constitution and by-laws were revised. One of the principal changes is that the name has been changed to "New Jersey Credit Women's *Group*." Although the Group will be an integral part of the Association of Credit Executives, which is the New Jersey affiliate of the NACM, the new constitution provides that ladies interested in the study of Credit who are employed by wholesale firms, manufacturers or banks that are not members of the New Jersey Association of Credit Executives, might become members of the Credit Women's Group.

St. Louis: The final business meeting of the year took place on April 25. The speaker was Special Agent Walter A. Hilgendorf, of the Federal Bureau of Investigation, who spoke on the purposes and accomplishments of the FBI.

The following officers were elected for the coming year: Eureka J. Scott, Christian Peper Tobacco Co., was re-elected President; Bertha H. Ridley, the Glidden Company, Vice-President; Fanny K. Klein, Meyer-Mueller-Goodman Company, Treasurer, and Mae Kennedy Brandt, St. Louis ACM, Secretary.

Chattanooga: The Wholesale Credit Women's Group met for their second meeting in Parlor "E" of the Read House on May 21. The two principal speakers of the evening were Mrs. Marjorie Jennings, Atlanta Oak Flooring Company, Atlanta, who spoke on "Credit Women—Coast to Coast"; and Mrs. Carmen A. Dobbs, Secretary of the Georgia Association of Credit Men, on "Alerting All Credit Women."

The Group was entertained with several delightful songs, after which Miss Gertie Schaerer, President of the Group, gave a report on what had been done in the past thirty days and announced that the main speaker for the June meeting would be Mr. C. Callaway, Jr., Crystal Springs Bleachery, Chickamauga, Ga., a past National Director.

Triple Cities: The May meeting of the Triple Cities Credit Women's Club was held on Wednesday, May 15, at the Brulingham Tea Room. The officers who were elected at the April meeting were installed. They are: President—Dorothy Campbell; Vice-President—Lucy Meloro; 2nd Vice-President—Marguerite Kinsman; Secretary—Marjorie Gillette; Treasurer—Wilhelmina Topp; and Councillor—Leona Hollenback.

The address of the evening was given by Mr. J. Paul Mossman, newly appointed assistant manager of the Binghamton Chamber of Commerce, who spoke on "The Heritage of One C. Columbus."

Wichita: As announced in last month's issue of CREDIT AND FINANCIAL MANAGEMENT, the Wichita Association of Credit Women came officially into being when twelve ladies, from the credit departments of various wholesale organizations, met in the Association Office on the evening of May 6.

The club voted to hold regular meetings on the third Monday of each month. The first Officers of the Association are President, Miss Mildred Womack, Sutton Electric Supply Co.; Marguerite Warner, Home Appliance Co., Vice-President; Lillian Sundstrom, Motor Equipment Co., Secretary, and Thelma Killion, Fred Dold and Sons Packing Co., Treasurer.

Minneapolis: The Minneapolis Credit Women's Group brought its year to a close with a Spring Luncheon Party at the Radisson Hotel on May 18th. New officers were installed and winners of the two Credit Scholarships which the Club awards annually were announced. The feature of the afternoon was a "Stump the Experts" program with the board of experts made up of club members and the questions submitted by the whole group.

Several prominent Credit Women have visited Minneapolis recently. On May 4th Loretta Fischer, of George Ziegler Co., a National Committee member, and Sophie Baumgartel, of Phil Orth Co., both of Milwaukee, met with Minneapolis and St. Paul members at dinner. On May 15th, Lucy Killmer, Guaranty Specialty Mfg. Co., a member of the National Credit Women's Executive Committee, visited Minneapolis from Cleveland.

St. Paul: The St. Paul Association of Credit Women held their annual election of officers at their May 17th meeting and following members were elected to hold office for the coming year: Frances O'Sullivan, Motor Power Equipment Co., former Vice-President, automatically succeeds to the office of President. Esther Carlson, Wolters Auto Supply Co., was elected Vice-President; Leslie Setzer, West Publishing Co., Treasurer, and Leone Strate, Webb Publishing Co., Secretary.

Denver: Dean Paul Roberts, of St. John's Episcopal Cathedral, was the guest speaker at the May 20th meeting of the Mile High City's Credit Women's Club held at the Colburn Hotel. His subject was "Our Need for Religion." This was an open meeting, each member bringing guests, and many invited their superior officers.

Detroit: The Detroit Credit Women's Club held its annual election of officers on April 16 at the Fort Shelby Hotel.

The following officers were elected for the 1946-47 term: President, Mildred Darrow; Vice-President, Erma Jean Lang; Secretary, Oranda LaChance; Treasurer, Bess Harrison.

Susan G. Schenck, Past President, installed the newly-elected officers.

Buffalo: The Credit Women's Club of Buffalo held their annual installation dinner Wednesday, May 8, and the following officers were installed: Elva Dulmage, President; Amelia Olear, Vice-President; Viola Pearl, Treasurer, and Margaret Buehler, Secretary.

Miss Agnes Hickey, Gerry Provision Co., was honored at this dinner, having just been elected a Director of the Credit Men's Association of Western New York.

Des Moines: Twenty-two members of the Credit Women's Club drove to Newton on Monday, May 13, and held their monthly meeting at "Lombardi's." R. H. Melone, of the National Association, who was spending some time in Des Moines, gave an interesting talk on "Courtesy." Irene Ragsdale, a former member of the Club, was a guest.

San Francisco: The Credit Women's Club of San Francisco held its annual meeting at the Whitcomb Hotel on Wednesday evening, May 15, with 38 in attendance. Herb Kelley, President of the Credit Managers' Association, acted as Installing Officer and in a very adept manner pinned corsages on the following new officers: Blanche Bebb, Thaler Pipe and Supply Co., President; Mary King Tufts, Schlage Lock Co., Vice-President; Mildred Creasey, Koret of California, Inc., Secretary, and Bernice Ough, Doughnut Corporation of America, Treasurer.

Birmingham: New officers of the Birmingham Wholesale Credit Women's Group were installed at the regular monthly meeting of the group, Tuesday evening, May 21, at the Molton Hotel. The new officers are Shirley R. Harris, Lamson & Sessions Co., President; Sue H. Brown, Commonwealth & Southern Corp., Vice-President, and Mabel Gibson, Evensville Packing Co., Treasurer.

Chicago: Four of the Credit Women's Club members are to attend the Conference at French Lick Springs, Indiana—Mrs. Jenny White, Rummler, Rummler & Davis; Miss Irene Austin, Consolidated Biscuit Company; Miss Mabel Wilke, Continental Scale Corporation, and Miss Frances Sauer, Peerless Confection Company.

The May meeting was exceptionally interesting. The speaker of the evening was Mr. David Karno, assistant to the Foreign News Editor of the Chicago Sun, who spoke about Russia. We were most fortunate in having an out of town guest with us—Miss Helen Gunn, John Sexton & Co., Atlanta, Georgia. Miss Gunn is Vice-President of the Atlanta Credit Women's Club.

Kansas City Elects G.E. Gilman To Be 1946-7 President

Kansas City: G. E. Gilman, Colgate-Palmolive-Peet Co., was elected President of the Kansas City Association of Credit Men at the annual meeting held at the Muehlebach Hotel on April 25. News of this appointment arrived just too late for inclusion in the May issue.

Supporting Mr. Gilman are R. W. Durrett, Sheffield Steel Co., First Vice-President; E. S. Seiter, Swift and Co., Second Vice-President; N. W. Bailey, Stowe Hardware and Supply, Counsellor; and the following Directors: S. M. Case, Sinclair Tool Co.; V. H. Gier, Employers' Mutual Liability Insurance Co.; Harry James, Standard Oil Co.; H. C. Klee, Rutherford Food Corporation; C. L. Martin, Myers Motor Equipment Co., and W. P. Pearson, Graybar Electric Co.

NYACM Committees Keep Close Watch on State Legislature

New York: The annual session of the New York State Legislature convened on January 9. Over 5,000 bills were introduced—the first time that figure has even been exceeded in the history of the State.

These bills were screened carefully by the General Legislative Committee of the New York ACM, headed by H. J. Delaney of Meinhard, Greeff and Co., Inc.; the Tax Committee, headed by William F. Egelhofer of Henry Glass and Co.; and the Insurance Committee, headed by G. M. Nixon of E. R. Squibb and Sons. Through a cooperative arrangement, existing for many years, the Central Legislative Committee of the State of New York, headed by Irwin H. Raunick of Fairmont Creamery Co., and made up of the representatives of the affiliated locals within the State and their legislative chairmen, work together on bills affecting credit. Noteworthy among the measures were:

1. An amendment to the State Lien Law which will follow the pattern of the Federal Miller Act and provide for State construction projects two bonds—one for material men and one for labor.

2. Four insurance bills which would have for the first time in the State permitted insurance companies operating therein to write or underwrite multiple lines of insurance were introduced. Such measures have also been sponsored by the Association's Insurance Committee for many years in cooperation with other trade organizations.

Efforts to provide a bill under which all accountants, certified and uncertified, would be registered and licensed failed of passage.

Chicago Credit Men Are All Prepared For Coming Season

Chicago: The Chicago Association of Credit Men already has its 1946-47 plans well in hand.

C. W. Dittmar, Crane Co., President of the Association, has appointed the following chairmen of standing committees of the Association for the ensuing year:

Adjustment Bureau, E. T. Larson, W. D. Allen and Company; Collection Division, D. R. Pershing, Dixie Cup Company; Credit Groups, H. E. Silverstone, Galler Drug Co.; Credit Interchange, G. T. Thomas, The Sherwin-Williams Company; Credit Women's Activities, Irene Austin, Consolidated Biscuit Company; Committee on Committees, A. H. Sherbahn, Boye Needle Company; Constitution and By-laws, A. L. Jones, Armour and Company; Educational, K. W. Kohtala, Empire Paper Company; Executive, C. W. Dittmar, Crane Co.; Finance, R. L. Seaman, Star Novelty and Utilities, Inc.; Foreign Trade, John W. Schwenger, Acme Steel Co.; Insurance, W. F. Sherrill, Nutrine Candy Co.; Legislative-Taxation, G. B. Sturtz, Joslyn Mfg. and Supply Co.; Meetings, Carl I. Johnson, Continental-Illinois National Bank and Trust Company of Chicago; Membership, D. A. Grant, Socony-Vacuum Oil Company; Member Relations, W. E. Mueller, Morton Salt Company; National Association Relations, C. L. Holman, Wilson Brothers; Public Relations, W. L. Jacobi, Edison General Electric Appliance Co.; Reporting Agencies, H. C. Fraunhoefer, Revere Electric Supply Co.; War Veterans Advisory, J. W. Heylmun, The New Jersey Zinc Sales Co., Inc.; Service Corporation Advisory, A. L. Jones, Armour and Company; Councillor, C. L. Holman, Wilson Brothers.

Carl D. Smith Gives Optimistic Report to Toledo Round Table

Toledo: Carl D. Smith, Director of Education, NACM, addressed the weekly Credit Round Table of the Toledo Association of Credit Men at the Willard Hotel on May 9.

Speaking on the subject of "Your Business and Current Trends," Dr. Smith stated that according to present indications American industry will set new production records in 1947, and that even with the labor delays, material shortages and continued controls industry as a whole has accomplished a faster reconversion job than even the government boards expected.

Carl H. Bruns, Page Dairy Co., was Chairman in charge of arrangements and the speaker was introduced by Charles B. Rairdon, General Credit Manager of the Owens-Illinois Glass Co. and Vice-President, Central Division of the NACM.

New York State Establishes Its Own Leipsig Fair

New York: It should be of interest to all firms doing business in the State of New York that the Legislature passed, and Governor Dewey signed, a bill creating a World Trade Corporation. The purpose is to establish a world trade center within the State to promote the purchase and sale of products in international trade. The bill is commonly referred to as the "Leipsig Fair Bill." The Governor is authorized to appoint a Board of nine members, who will serve without compensation. This Board must, on or before January 1, 1947, make recommendations as to location, facilities, names of cities or municipalities desiring to sponsor and suggest legislation concerning the power of the corporation to condemn property and borrow funds.

Western N. Y. Credit Men Elect Strickland President

Buffalo: Directors of the Credit Men's Association of Western New York recently elected Richard G. Strickland of the Buffalo Slag Co., Inc., President, at a meeting in the Hotel Buffalo. Strickland is also President of the Office Managers' Association and a director of the Association of Cost Accountants.

Other officers elected were: Ezra H. Hutchins, Sun Oil Co., First Vice-President; Walter A. Michael, National Lead Co., Second Vice-President; Ira D. Johnson was re-elected Secretary-Treasurer.

New Directors installed for the three coming years were: Agnes Hickey, Gerry Provision Co.; J. L. Adkins, Remington-Rand, Inc.; Ezra H. Hutchins and Warren A. Yox, Marine Trust Co.

Wanvig Will Head Milwaukee Credit Men

Milwaukee: The Annual Meeting of the Milwaukee Association of Credit Men was held Thursday, May 23, at the Elks Club. William L. Ayers, former editor of the Chicago Journal of Commerce, now President of Specialized Service, of Chicago, spoke on "What's Ahead for Business."

At this meeting an election of officers was held with the following results: President — William Wanvig, Globe-Union, Inc.; Vice-President—O. H. Berryman, John Pritzlaff Hardware Co.; Treasurer—Charles F. Jones, Marine National Exchange Bank.
